

An outline map of Iraq in a light tan color, showing the country's borders and internal provincial boundaries. The map is positioned in the background of the title page.

# **Special Inspector General for Iraq Reconstruction**

**Quarterly Report** to the  
**United States Congress**

**[October 30, 2007]**

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## MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to submit to the Congress, Secretary Rice, Secretary Gates, and the American people the 15th Quarterly Report from the Special Inspector General for Iraq Reconstruction (SIGIR). During this quarter, I visited Iraq for the 17<sup>th</sup> time since 2004 to continue SIGIR's robust and rigorous oversight of the U.S. relief and reconstruction program in Iraq.

Two notable developments frame this Report. First, total relief and reconstruction investment for Iraq from all sources—the United States, Iraq, and other donors—passed the \$100 billion mark this quarter. Second, total attacks on Coalition forces and Iraqis dropped to their lowest levels in more than a year, primarily because of successes achieved through the surge strategy.

SIGIR's oversight team passed two noteworthy milestones this quarter. We have now produced more than 100 audits and more than 100 inspections since SIGIR began its mission more than three years ago. This collective body of work, together with the many investigations SIGIR has carried out, stand as a testament to the important benefits that focused and fair oversight can contribute to the important mission in Iraq.

This Report speaks to notable signs of success on these fronts—infrastructure outputs, the security environment, and the Commander's Emergency Response Program (CERP). On the infrastructure front, new U.S.-financed electrical projects, a drop in attacks on the electrical grid, and improved maintenance programs helped push Iraq's electricity output this quarter to its highest levels since the 2003 invasion. On the security front, increasing pressure from the surge produced a palpable drop in attacks. And on the CERP front, SIGIR's inspection teams visited four CERP projects and generally found them in good condition.

SIGIR audits and inspections this quarter report on the consequences of poor program management practices, and we continue to press for improvement. Our interim audit of DynCorp's \$1.2 billion contract to support Iraq's police training program identified serious shortcomings in the program, which is overseen by the Department of State's Bureau of International Narcotics and Law Enforcement (INL). During the course of our audit, INL demonstrated that it has taken significant steps toward rectifying these problems. SIGIR's final report on DynCorp next year will provide detailed data on the scope of the problem and the effect of the remedial measures. A SIGIR inspection this quarter uncovered problems with U.S. efforts to help Iraq mitigate risks at the Mosul Dam on the northern Tigris River. Although this project has yet to yield significant improvements, the Embassy reported that it has developed an approach that will effectively implement mitigation measures at the dam.

SIGIR's investigation division made progress this quarter on 52 current investigations, 30 of which the Department of Justice is prosecuting. To date, SIGIR's cases have resulted in 13 arrests, 5 convictions, 5 imprisonments, 2 indictments of 8 persons, and \$17.242 million in court-ordered restitutions, forfeitures, and recoveries.

Section 2 of this Quarterly Report provides details on the four chief U.S. funding streams that feed into the reconstruction program, updates Iraq's major economic indices, and reviews progress in various U.S. development programs. Section 3 summarizes every audit and inspection produced by SIGIR this quarter, and Section 4 provides an overview of other agency work on Iraq.

SIGIR remains dedicated to providing the most comprehensive and effective oversight of the use of taxpayer dollars for Iraq's relief and reconstruction. I am particularly grateful for the quiet bravery and determined commitment of SIGIR's auditors, investigators, and inspectors in Iraq who, along with their military and civilian counterparts, continue to carry out their important mission under dangerous conditions.

Submitted October 30, 2007.

A handwritten signature in black ink, reading "Stuart W. Bowen, Jr." followed by a period. The signature is written in a cursive, flowing style.

Stuart W. Bowen, Jr.

Special Inspector General for Iraq Reconstruction



**SIGIR SUMMARY OF PERFORMANCE**  
AS OF OCTOBER 30, 2007

**AUDITS**

Reports Issued	101
Recommendations Issued	306
Dollars Saved and Recovered	\$57,800,000

**INSPECTIONS**

Project Assessments Issued	102
Limited On-site Assessments Issued	96
Satellite Imagery Products Created	388

**INVESTIGATIONS**

Investigations Initiated	332
Investigations Closed or Referred	275
Open Investigations	52
Arrests	13
Indictments Pending Trial	8
Convictions	5
Court-ordered Restitution/Forfeiture	\$17,242,000

**HOTLINE CONTACTS AS OF SEPTEMBER 30, 2007**

Fax	15
Telephone	65
Walk-in	109
E-mail	347
Referrals	25
Mail	28
Total Hotline Contacts	601

**NON-AUDIT PRODUCTS**

Congressional Testimony	23
Lessons Learned Reports Issued	3



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This 15th Quarterly Report from the Special Inspector General for Iraq Reconstruction (SIGIR) contains a detailed review of SIGIR's continuing oversight of the approximately \$45.429 billion appropriated by the Congress for Iraq's relief and reconstruction. Of that amount, 74% is obligated, and 60% is expended. Since 2003, the United States, Iraq, and international donors have provided or pledged more than \$100 billion for Iraq's recovery.

This section highlights the leading issues currently confronting the relief and reconstruction effort. Section 2 updates the use of U.S. appropriations supporting that effort, reports on Iraq's

major economic indices, and addresses U.S. development work in selected sectors. Section 3 reviews SIGIR's oversight work executed this quarter, including seven audits, six inspections, and progress on a variety of investigations.

This Quarterly Report marks a notable milestone: SIGIR has now produced more than 100 audits and more than 100 inspections on Iraq reconstruction since beginning oversight in late January 2004. Other agencies have produced 191 audit and inspection reports over a slightly longer span. Section 4 of this Report highlights the oversight work accomplished this quarter by other agencies in Iraq.

## CONTRACTING UPDATE

In the July 2007 Quarterly Report, SIGIR published the first in a series of focused financial reviews of large contracts funded by the Iraq Relief and Reconstruction Fund (IRRF). That audit reviewed Bechtel's \$1.2 billion program, which was managed by the U.S. Agency for International Development (USAID). The problems SIGIR identified were emblematic of many of the challenges presented by contracting in Iraq.

This quarter, SIGIR issued the next installment in this series, an interim review of DynCorp's \$1.2 billion contract to support Iraq's civilian police training program. The interim report identified serious shortcomings in the financial controls and program management practices of the DynCorp contract. The Depart-

ment of State's (DoS) Bureau of International Narcotics and Law Enforcement (INL) manages this contract.

INL currently has several responsive initiatives underway to remedy the problems SIGIR identified, including reconciling invoices and validating records. But SIGIR's findings underscore the risks of fraud, waste, and abuse that weak governmental contract oversight can create.

SIGIR continues work on focused financial reviews of other large IRRF contracts, including those with Parsons International, Research Triangle Institute (RTI), and FluorAMEC. The Parsons report is scheduled for release before the end of 2007.

SIGIR's auditors completed two important audits of the IRRF this quarter, one on contract closeout procedures and the other on unliquidated obligations (or unspent funds). The latter audit found that, with respect to more than \$2 billion in unexpended IRRF dollars, the Department of Defense (DoD), DoS, and USAID should improve the use of the remaining funds by better documenting results and expediting the de-obligation of funds for use on other projects. The Congress has authorized IRRF funds obligated under existing contracts to be de-obligated for other uses.

SIGIR's contract closeout review looked at whether agencies have developed effective procedures for closing their IRRF contracts. SIGIR found that the agencies generally have good processes for addressing the large number of outstanding contracting actions. Estimates for the time required to close out the largest IRRF contracts range up to 15 years.

In June 2007, SIGIR released a performance audit of KBR's life-support contract with the U.S. Embassy in Iraq, finding significant shortfalls. This quarter's update on that review reports that the U.S. government agencies involved have made major improvements in contract oversight, including implementing a quality assurance program and tightening accountability for fuel, dining, and billeting services. Similarly, the

contractor made significant improvements in its operations since SIGIR's June report. These collective improvements will save taxpayer dollars.

Now that the United States has substantially completed most IRRF infrastructure programs financial aid for Iraq's recovery is weighted toward support for Iraq's civil and military security forces. To date, the Congress has appropriated \$13.94 billion to the **Iraq Security Forces Fund** (ISFF), of which \$7.23 billion has been expended. SIGIR currently has oversight of FY 2006 appropriations to this fund. Section 2 of this Report provides detailed data on the ISFF. SIGIR will issue audits and inspections of the ISFF in 2008.

Two other funds provide significant U.S. aid to Iraq: the **Commander's Emergency Response Program** (CERP), managed by DoD, with appropriations to date amounting to \$2.3 billion, and the **Economic Support Fund** (ESF), managed by the DoS, with appropriations amounting to \$3.27 billion. SIGIR has oversight of FY 2006 appropriations to both of these funds. Section 2 includes reviews of how DoD and DoS manage these funds. SIGIR previously audited and inspected CERP and ESF programs, and further audit and inspection work on these funds appears in this Report.



## PROVINCIAL SUPPORT

This quarter, SIGIR and the Congress focused significant attention on the Provincial Reconstruction Team program (PRT) in Iraq. SIGIR issued a significant audit in mid-October and testified twice before the Congress on PRTs.

### The Provincial Reconstruction Team Program

The PRT program is the most important governance capacity-building program that the United States now manages in Iraq. The effort has evolved and expanded considerably since its inception two years ago. Today, it is an essential element in the U.S. civil-military stabilization and rehabilitation effort.

Over the past year, SIGIR released three audits of the PRT program. The first, issued in October 2006, found weak coordination of personnel and security requirements between DoD and DoS. The July 2007 update to that original review reported significant improvement in civil-military integration. This quarter's audit, a comprehensive look at the expanding program, finds that PRTs across Iraq are making incremental progress in developing the capacity of the provincial and local councils to govern their jurisdictions and manage local relief and reconstruction programs. But Iraq's complex and overlapping sectarian, political, and ethnic conflicts, as well as the challenging security situation, continue to limit the PRTs' progress.

The newest PRT audit also reveals that:

- PRT officials have mixed judgments on the effectiveness of provincial governments to govern, but they noted incremental improvement from last year.
- PRT officials consider rule of law to be the most problematic core function.
- Iraq's provincial councils have limited ability to manage and sustain infrastructure projects, and they are not sufficiently budgeting for operations and maintenance requirements.
- Except for notable improvements in Anbar and Diyala province, there has been sporadic progress in reconciliation efforts at the local and provincial level.

SIGIR's audit identifies four significant continuing challenges facing the PRT program:

1. improving integration of civilian and military resources and chains of command
2. ensuring the mobility and safety of PRT personnel in an unstable security environment
3. coordinating reconstruction programs with counterinsurgency operations
4. employing and deploying appropriately skilled personnel, including Arabic speakers

The "civilian surge" is slated to fill most PRT slots with personnel who have expertise in governance, economics, rule of law, and related

disciplines. Military members currently occupy most of the PRT positions. Section 3 of this Report contains an executive summary of the PRT audit.

### The Commander's Emergency Response Program (CERP)

SIGIR's August 2006 Lessons Learned Report on Contracting and Procurement recommended expanded use of the CERP and other quick-response reconstruction funding programs. Since that report's release, CERP's role has continued to grow. It now serves as a major source of funding for DoD-managed reconstruction projects. Streamlined contracting made the CERP an agile and useful tool for field commanders seeking to meet locally identified needs.

DoS recently implemented a CERP-like program called the Quick Response Fund (QRF), using ESF money. PRT team-leaders can now draw on the QRF in the same way that field

commanders have drawn on the CERP.

Although the CERP was originally designed to provide field commanders with flexible funding to rapidly execute local projects, the program now also supports larger reconstruction efforts. For example, CERP projects include dredging the Port of Umm Qasr (estimated at more than \$30 million) and building a bridge in Baghdad (estimated at more than \$7 million). As the IRRF program draws down, CERP increasingly serves as a vehicle for finishing IRRF programs and projects.

This quarter, SIGIR completed the first inspections of CERP-funded projects and found generally good quality and outcomes of the four projects visited. For details on these inspections, see Section 3. SIGIR will issue its third CERP audit by the end of this year.

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## SECURITY

The average number of reported daily attacks on Coalition personnel dropped this quarter to its lowest level since June 2006; the average number of attacks on Iraq's civilians also declined. In addition, security conditions notably improved in two of Iraq's most violent provinces—Anbar and Diyala.

Notwithstanding this important progress on the security front facilitated by the surge, the overall security situation in Iraq still hampers recovery and reconstruction efforts. Attacks on infrastructure continue to adversely affect the availability of essential services.

As SIGIR has previously reported, insurgent attacks on reconstruction projects have slowed the pace of infrastructure rehabilitation and lim-

ited the capacity of project managers to conduct quality-control checks. The security situation similarly affects SIGIR's oversight operations in Iraq. For example, increased insurgent activity in the Mosul area this past August prevented SIGIR's team from visiting one of the construction sites selected for inspection. The UN recently reported that Mosul is now second to Baghdad in the number of reported attacks.<sup>1</sup>

The Coalition's military posture will change over the next several quarters. That develop-

ment, in conjunction with issues arising from the management of private security contractors in Iraq and the requirement that Iraq's security forces achieve a reasonably independent operating capability by next summer, will directly affect the security environment in Iraq over the next nine months. These changes will concomitantly affect the capacity of the United States to continue effective relief and reconstruction programs and projects.

## ANTICORRUPTION

The Inspector General (IG) testified this quarter before the House Oversight and Governmental Affairs Committee on the status of corruption within the Government of Iraq (GOI). As the IG reported to the Committee, corruption in Iraq is a "second insurgency" that exerts a corrosive force on Iraq's fledgling democracy.

Iraq's three primary anticorruption agencies have seen a significant increases in their caseloads this year. The number of cases at the Commission on Public Integrity (CPI) has risen 70%, and the Board of Supreme Audit (BSA) reported that its referrals to the CPI have more than doubled.

SIGIR sees four major challenges facing Iraq's anticorruption institutions:

- **Security:** Threats to Iraq's anticorruption personnel severely limit the transparency of

government activities. More than 30 members of the CPI staff have been killed since 2003, as have the former president of the BSA and several Iraqi IGs. Judges and judicial investigators are also subject to regular intimidation.

- **Support:** The BSA, CPI, and Iraqi IGs continue to suffer from a lack of consistent political support and funding from the GOI. The CPI, in particular, is at a critical juncture after the departure this quarter of its Commissioner, Judge Rahdi al Rahdi.
- **Rule of law:** Iraq's citizens do not trust the government's anticorruption institutions to prosecute cases effectively and fairly. This lack of faith is aggravated by the shortage of reliable judges and the increased pressure from an overcrowded prison system.

- **Capacity:** Iraq's anticorruption agencies face significant capacity and resource shortfalls. Also, none of these agencies have training facilities.

Earlier this year, the GOI created the Joint Anti-Corruption Council, which is charged with coordinating anticorruption efforts. But the corruption problem in Iraq remains daunting.

### The Office of Accountability and Transparency (OAT) and the Rule of Law

In January 2007, the Chief of Mission in Iraq created the Office of Accountability and Transparency (OAT), in response to a recommendation in SIGIR's October 2006 anticorruption audit. The OAT thereupon took charge of enhancing U.S. efforts to bolster Iraqi anticorruption efforts and made good progress during the first quarter of 2007, securing the appointment of senior consultants for the IGs and the BSA. (The CPI already had a senior consultant.) However, the initial director of OAT departed, as did his successor, and an acting director is now in place.

This personnel turnover has hampered OAT's development.

Coordinating U.S. anticorruption efforts in Iraq within and among various U.S. agencies continues to be a challenge. There remains a requirement to better coordinate among the Economic Section's anticorruption plans, the MNF-I's rule-of-law programs, OAT's operations, the Rule of Law Coordinator's initiatives, and the Embassy's other rule-of-law projects carried out by USAID. The continuing ambiguity in lines of responsibility underscores the need for creating an integrated anticorruption strategy.

The Iraq Study Group recommended that DoJ take a larger role in rule-of-law efforts, which should subsume the mission of helping Iraq fight corruption. In response, the Chief of Mission appointed a DoJ attorney as the rule-of-law coordinator. But the coordinator's reach into managing anticorruption strategy requires better definition.

## INFRASTRUCTURE

### Electricity Output Breaks Records

Average electricity production this quarter reached its highest level since 2003, setting a post-war record of 4,550 MW per day. The improvement stems from:

- efficiencies arising from U.S.-and Iraq-funded operations and maintenance programs
- the activation of new generation capacity
- the reduction in attacks on power-lines and repair teams, especially in the Baghdad area, due to the surge of U.S. forces in Iraq

A SIGIR inspection of the **Qudas Power Plant** this quarter found that the \$238 million project's two main objectives (turbine restoration and plant capacity expansion) had been achieved. Moreover, SIGIR found that U.S. government efforts to support sustained operations at the plant were effective and that the GOI had demonstrated active intent to assume the long-term responsibility for sustaining operations. The Qudas plant, a key part of the electrical reconstruction program, is one of the more successful electric projects SIGIR has visited.

### Mosul Dam: A Serious Concern

SIGIR inspectors visited the **Mosul Dam** this quarter, which lies on the Tigris River in northern Iraq. Iraq completed the dam in 1984, having built it on soluble soils subject to erosion; the movement of these soils creates cavities beneath the dam and its banks that must be grouted.

These conditions have existed since the dam was constructed, and the Iraqi Ministry of Water and Resources has implemented risk-reduction measures over the past 25 years, including a continuous grouting program to fill the cavities in the foundation strata.

In 2005, the U.S. government partnered with the GOI to initiate several improvements to mitigate the dam's problems. This quarter, SIGIR inspected the \$27 million project to improve the dam's grouting system. SIGIR's inspection concludes that the project, now two years old, has yet to significantly improve the basic grouting capability of the Ministry of Water and Resources at the dam.

The Ministry continues its current grouting operations at the dam, but full implementation of the enhanced grouting operation would augment these efforts. The Embassy's Iraq Transition Assistance Office (ITAO) has finalized a detailed "Post-Delivery Support Plan" that will help the Ministry with the equipment and materials required to improve the current grouting operations.

## CAPACITY DEVELOPMENT

SIGIR continues to review the important work by U.S. agencies to develop the GOI's capacity to operate at all levels—national, regional, and local. But U.S. capacity-building efforts have been limited by the lack of a designated lead agency to manage the programs and the continuing need for an overarching integrated strategic plan. A GAO report released this quarter underscores these challenges. SIGIR is planning an audit for 2008 that will update previous capacity-building reviews.

SIGIR's newest PRT audit renewed continuing concerns about Iraq's capacity to sustain U.S. reconstruction projects. One PRT team leader characterized the problem as a future "train wreck" unless steps are taken now to begin budgeting and deploying the systems necessary to sustain new construction. The DoS Coordinator for Economic Transition Initiatives commendably has prioritized this issue and is working with the GOI to improve budget planning to ensure sustainment of completed projects.

Budget execution—the expenditure of Iraqi funds by the various ministries and provinces—continues to be a focus of capacity development efforts. According to the latest U.S. Benchmark Assessment Report, issued on September 14, 2007, the GOI has allocated its \$10 billion capital budget for 2007. This assessment report noted: "Both the ministries and provinces are executing a greater percentage of much larger capital budgets, which significantly increases ministry and provincial expenditures on an absolute dollar

basis." Concerns remain, however, about how much of its capital budget the GOI will actually execute by the end of 2007.

One notably salutary development regarding budget execution was the creation of the Procurement Assistance Center (PAC) by the Ministry of Planning and Development Cooperation. Staffed by a team of Iraqi and international experts in procurement, the PAC helps the GOI improve budget execution by training personnel, improving procurement processes, and providing enabling technology. Integrated support for the PAC comes from ITAO, the DoD Task Force To Improve Business and Stability Operations, and the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A).

### Transitioning Financial Responsibility to the GOI

Iraq's national budget now funds almost all initiatives across GOI ministries, with the exception of those within the Ministry of Defense and the Ministry of Interior. In 2006, the Ministry of Interior received 41% of its funding from the United States, with 59% coming from the GOI budget. In 2007, the GOI's share of the Ministry of Interior's funding increased to 67%. The reverse trend exists for Ministry of Defense; the U.S. share of Ministry of Defense funding increased in 2007 to 47%, up from 31% in 2006. See Figure 1.1.

As total U.S. support for relief and reconstruction efforts decreases, the GOI must

budget to sustain programs previously funded by U.S. dollars. The need for this shift in responsibility was emphasized this quarter in letters sent to the Ministries of Defense and Interior by the Commander of the Multi-National Security Transition Command-Iraq (MNSTC-I). Those letters notified both ministries that the Coalition would terminate U.S. funding for life-support contracts for Iraqi police and army training and operations facilities on September 30, 2007. MNSTC-I reports that the terminations occurred as planned.

## Reassessing the IFMIS

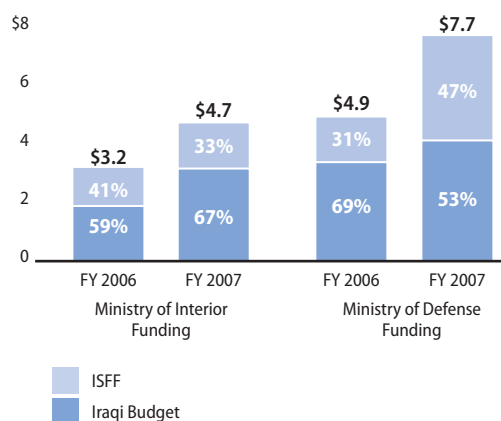
The United States is reassessing a project to develop and fund a new Iraq Financial Management Information System (IFMIS). Begun in 2004, the IFMIS project was intended to improve financial management within the GOI. Inadequate planning, coordination problems with the GOI, and security issues have plagued the project since its inception.

This quarter, SIGIR issued an interim letter to the Embassy recommending that any further U.S. investment in this project be contingent on more GOI support as well as a full independent assessment of the proposed system.

Figure 1.1

### MINISTRY OF INTERIOR AND MINISTRY OF DEFENSE INVESTMENTS FROM U.S. AND IRAQ

\$ Billions, Percentage of Monies Allocated to the Ministries  
Source: MNSTC-I, Response to SIGIR Data Call (9/19/2007)



Note: Numbers are affected by rounding.

## ASSESSING PROGRESS IN IRAQ

SIGIR and other members of the Iraq Inspectors General Council, which SIGIR created in 2004, have conducted more than 290 audits on the U.S. reconstruction program in Iraq. This quarter, a number of agencies issued reports on Iraq that contain noteworthy assessments, including:

- *The Report of the International Commission on the Security Forces of Iraq*, September 6, 2007 (The Jones Report): addresses the readiness of the Iraqi Security Forces to assume responsibility for maintaining the territorial integrity of Iraq, examining their ability to provide security throughout the nation and to end sectarian violence.
- *Iraq: Statistical Appendix*, IMF Country Report No. 07/294, August 2007: provides a comprehensive almanac of background information on gross domestic product, prices, government expenditures, exchange rates, taxes, interest rates, balance of payments, oil production and exports, cement production, and other topics.
- *Stabilizing and Rebuilding Iraq: Serious Challenges Confront U.S. Efforts To Build the Capacity of Iraqi Ministries*, GAO-08-124T: discusses U.S. efforts to develop ministerial

capacity, the key challenges to these efforts, and the extent to which the U.S. government has an overall integrated strategy.

- *The 1035 Report on Improving Interagency Support for United States 21<sup>st</sup> Century National Security Missions and Interagency Operations in Support of Stability, Security, Transition, and Reconstruction*, June 2007: a DoD report that assesses the capacity of the U.S. government to provide civilian support to interagency contingency operations.

On August 29, 2007, the Secretary of the Army created the Special Commission for Army Contracting to review the contracting lessons learned from recent operations in Iraq and Afghanistan and make recommendations that will help the Army achieve greater effectiveness, efficiency, and transparency in future operations. SIGIR met with the Commission shortly after its formation, providing insights gained from SIGIR's lessons learned on contracting in Iraq.

The status of the benchmarks set by the Congress in Public Law 110-28 was updated this quarter. For a comparison of the benchmark assessments, see Table 1.1.



## COMPARISON OF U.S. STATUTORY BENCHMARKS

U.S. P.L. 110-28 "BENCHMARK"		ICI COMMITMENTS BY THE GOI		PRESIDENT'S PROGRESS REPORT <sup>a</sup>	GAO <sup>b</sup>
Constitutional review completed (i)		An inclusive constitutional review. (3.1.2)		Satisfactory: Constitutional Review Committee formed.	Not met: No amendments passed and no referendum scheduled.
De-Ba'athification legislation enacted (ii)		De-Ba'athification Committee will be restructured and divested of its political aspects. (3.3.11)		Satisfactory: Laws not passed but progress made.	Not met: Laws drafted.
Hydrocarbon law implemented (iii)		Develop an energy sector that meets Iraq's needs and maximizes the benefits of hydrocarbons for all Iraqis, reinforcing national unity and institutions. (4.5)		Unsatisfactory: progress toward enacting and implementing law is unclear.	Not met: 3 of 4 components drafted, none under consideration.
Creating semi-autonomous regions (iv)		No comparable benchmark.		Satisfactory: Laws passed with a delayed effective date.	Partially met: Law enacted, elections slated for 2008.
Provincial election laws enacted and date set (v)		The GOI will set a date for governorate and municipal elections for early to mid 2007. (3.1.2)		Mixed: Although a commission has been established, other key elements are lagging.	Not met: Commission law enacted and implemented; supporting laws not enacted.
Addressing amnesty (vi)		Proposed law and a series of confidence-building measures for a Disarmament, Demobilization, and Re-Integration (DDR) program, including an amnesty program consistent with accepted norms of transitional justice and appropriate to the Iraqi context. (3.2.3)		No Assessment: "No assessment can be made until the necessary preconditions have been reached for granting general amnesty."	Not met: No law drafted.
Legislation for militia disarmament, ISF accountable to central government (vii)		Create political agreement and the legislative framework necessary for the disbanding of militias, including legislation to control the possession and proliferation of weapons. (3.2.3)		No assessment: "No assessment can be made until the necessary preconditions have been reached for implementing a strong militia disarmament program."	Not met: No law drafted.
Baghdad security plan committees established (political, media, economic services) (viii)		Conduct outreach programs to ensure support and implementation of the Baghdad and Basrah security plans. (3.2.1)		Satisfactory: Operationalization of non-kinetic policies and services in support of Baghdad Security Plan.	Met: Committees established.
3 trained and ready brigades to support the Baghdad Security Plan (BSP) (ix)		Operation BSP—specific benchmark.		Satisfactory: Performance is leading to growing confidence in ISF's counterinsurgency experience.	Partially met: Forces provided some of limited effectiveness.
Security officers with tactical and operational independence from political interference (x)		The effective enforcement of state authority will require de-politicized, impartial, accountable, transparent, and professional security forces, including the military and police. The government recognizes the important and urgent need to translate these principles into practical programs in the organization and operations of its security forces. (3.2.1)		Mixed: PM and others working to curb sectarian violence. Unsatisfactory progress at eliminating political intervention throughout the chain of command.	Not met: Political intervention continues.
Ensure ISF provide even-handed enforcement of law (xi)		The government will work with international partners to develop well-trained, disciplined, and capable Iraqi security forces that fully understand and respect human rights and the rule of law. (3.2.1)		Mixed: The Iraqi Army has made progress in even-handed law enforcement. Some elements of the Iraqi Police still act with a sectarian bias.	Not met: ISF continue to be engaged in sectarian-based abuses.
Assuring the BSP eliminates safe havens for "outlaws" (xii)		Operation (BSP)—specific benchmark.		Satisfactory: In accordance with assurances Coalition forces conduct operations in all areas.	Partially met: Militia infiltration of ISF enables some safe havens.
Sectarian violence reduced. (xiii)		As a priority of the GOI, a Disarmament, Demobilization, and Re-integration (DDR) program, aimed at the dissolution and re-integration of militias. (3.2.3)		Mixed: sectarian violence reduced but militia control over local security is unsatisfactory.	Not met: Militias control some local security; unclear where sectarian violence has decreased.
A plan for joint security stations in Baghdad neighborhoods (xiv)		Operation (BSP)—specific benchmark.		Assessment: "The Government of Iraq has made satisfactory progress toward establishing the planned Joint Security Stations in Baghdad neighborhoods."	Met: 32 of 34 stations established.
Increasing the number of independently capable ISF (xv)		Developing and sustaining ISF to targeted and authorized strengths and capabilities with the aim of achieving self-sufficiency. (3.2.1)		Mixed: There is progress in development and operations of ISF but increasing the number of independently operating ISF units is unsatisfactory.	Not met: Number of independently operating units has declined.

COMPARISON OF U.S. STATUTORY BENCHMARKS

U.S. P.L. 110-28 "BENCHMARK"	ICI COMMITMENTS BY THE GOI	PRESIDENT'S PROGRESS REPORT <sup>a</sup>	GAO <sup>b</sup>
Protection for the political rights of minority parties (xvi)	The government of Iraq will continue its efforts to expand the range of participation for groups interested in the [National Reconciliation] initiative, regardless of their ideological or political orientation, [including] establishment of inclusive, legitimate, and sustainable political institutions. (3.1)	Satisfactory: Rights of minority political parties are protected.	Met: Legislators rights protected; minority citizen rights protected.
\$10 billion of Iraq revenues spent on reconstruction (xvii)	Commitment will ensure that legislation, regulation, systems, and processes are in place that will allow efficient and effective disbursement of budget resources. (5.3)	Satisfactory: Progress has been made as ministries and provinces are executing a greater portion of budgets than in prior year.	Partially met: Funds allocated but unlikely to be spent.
Ensuring that political authorities do not undermine or make false accusations against the ISF (xviii)	The effective enforcement of state authority will require de-politicized, impartial, accountable, transparent, and professional security forces, including the military and police. The government recognizes the important and urgent need to translate these principles into practical programs in the organization and operations of its security forces. (3.2.1)	Unsatisfactory: Evidence of government's effort to mitigate the issue, there remains much to be done.	Not met: unsubstantiated allegations continue to be made.

Notes:

- <sup>a</sup> The President's assessment is to be made in relation to whether "satisfactory progress" in meeting the benchmarks has been achieved (Section 1314(b)(2)(A) and (D)).
- <sup>b</sup> The GAO metric for benchmark assessment is whether or not the benchmark has been achieved.

TABLE 1.1

## HUMAN TOLL

Security in Iraq continues to be a significant concern for Iraq's citizens, as well as reconstruction staff, management, and contractors. Reports on the security environment show a drop in attacks this quarter as a result of the U.S. troop surge.<sup>2</sup>

Notwithstanding this evident progress, the UN Assistance Mission for Iraq (UNAMI) reported recently that the "ongoing violence in Iraq poses enormous challenges to the Government of Iraq" and that "daily life for the average Iraqi civilian remains extremely precarious."<sup>3</sup> High-profile violent incidents related to contractor-provided security have led to U.S. and GOI reassessments of contracted security service providers.

This quarter, the level of indirect fire against the International Zone in Baghdad fell to its lowest level in a year, but there was an increase in attacks on Camp Victory.<sup>4</sup> On September 11, one person was killed, and 11 were wounded in a mortar attack on that military complex, which serves as the headquarters of Multi-National Force-Iraq. On October 11, 2 people were killed, and 40 were injured in another attack on Camp Victory.

Although the overall security environment has improved recently, contractors, journalists, and Iraq's citizens continue to live and work in an environment that is, in many places, still quite dangerous:

- The Department of Labor (DoL) reported 72 new death claims this quarter for civilian contractors working on U.S.-funded projects in Iraq. Since Iraq reconstruction began, 1,073 death claims have been filed with the DoL.<sup>5</sup> Reported deaths in this category were about 22% above the quarterly average.
- DoS reported that three U.S. civilians died in Iraq this quarter. Since the beginning of the U.S. reconstruction effort, 235 U.S. civilian workers have died in Iraq. Non-military U.S. citizen deaths reported this quarter were 78% below the quarterly average.<sup>6</sup>
- This quarter, 2 journalists were killed in Iraq; 119 Iraqi and other journalists have been killed since March 2003, and 41 media support workers have been killed in Iraq since hostilities began, including 2 this quarter.<sup>7</sup>
- Violence continued to force Iraqis to migrate. The UN High Commissioner for Refugees (UNHCR) estimates that one of every seven Iraqis has been displaced by the conflict in Iraq.<sup>8</sup> The UNHCR noted that large numbers of Iraqis continue to flee the country,<sup>9</sup> and admission into Syria and Jordan became subject to visa approval this quarter.<sup>10</sup> Internal migration is also limited by provincial restrictions on admission of internally displaced persons (IDPs).



# UPDATE ON IRAQ RECONSTRUCTION

## OVERVIEW

### 2A U.S. FUNDING FOR IRAQ RECONSTRUCTION

IRAQ SECURITY FORCES FUND (ISFF)  
COMMANDER'S EMERGENCY RESPONSE PROGRAM (CERP)  
ECONOMIC SUPPORT FUND (ESF)  
IRAQ RELIEF AND RECONSTRUCTION FUND (IRRF)  
OTHER U.S. RELIEF AND RECONSTRUCTION FUNDS

### 2B IRAQ'S DEVELOPMENT

PROVINCIAL RECONSTRUCTION TEAMS  
DEMOCRACY AND CIVIL SOCIETY  
ECONOMIC DEVELOPMENT  
CAPACITY DEVELOPMENT  
REFUGEES, IDPs, AND HUMAN RIGHTS  
ESSENTIAL SERVICES  
ELECTRICITY  
OIL AND GAS  
WATER  
HEALTH CARE  
TRANSPORTATION AND COMMUNICATIONS

### 2C INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

## SECTION

# 2



## OVERVIEW

The Special Inspector General for Iraq Reconstruction (SIGIR) reports on the obligation and expenditure of funds used for Iraq's relief and reconstruction. This section provides an update on the status of reconstruction appropriations by fund source, reports on Iraq's major economic indicators, and updates U.S. development work in several key areas.

Relief and reconstruction efforts in Iraq are funded by three sources: U.S. appropriations, Iraqi funds, and international donor support. As of September 30, 2007, the entire reconstruction program totaled nearly \$103.894 billion, including \$45.429 billion in U.S. appropriated funds, \$18.383 billion in international support for Iraq reconstruction, and \$40.082 billion in Iraqi funds. For an overview of these sources, see Figure 2.1.

### U.S. Appropriated Funds (\$45.429 billion)

The Congress appropriated U.S. funding support for Iraq's relief and reconstruction to four major funds and 28 smaller accounts:

- Economic Support Fund (ESF)—\$3.272 billion
  - Iraq Relief and Reconstruction Fund (IRRF)—\$20.914 billion
  - Other Relief and Reconstruction Funds (including 28 accounts)—\$5.012 billion
- Iraq Security Forces Fund (ISFF)—\$13.940 billion
  - Commander's Emergency Response Program (CERP)—\$2.291 billion

This section presents information on each of these sources and provides the status of reconstruction in these areas:

- Provincial Reconstruction Teams
- Democracy and Civil Society
- Economic Development
- Capacity Development
- Refugees, IDPs, and Human Rights
- Essential Services: Electricity, Oil and Gas, Water, Health Care, and Transportation and Communications

Appendix F and Appendix G include more comprehensive information about the sources of U.S. appropriated funding, including IRRF apportionments, a historical perspective of relief and reconstruction accounts, operating expenses, and obligated and expended funding activities.

### International Support for Iraq Reconstruction (\$18.383 billion)

The overall success of the Iraq reconstruction program depends, in part, on assistance from the international community. The International Compact with Iraq—a five-year national plan to help Iraq achieve stability, sound governance, and economic reconstruction—is now the primary mechanism for coordinating international support for Iraq. The total amount of donor support pledged or provided to date is \$18.383 billion.

For an update on the activities of international donors, see International Support for Iraq Reconstruction at the end of Section 2.

### Iraqi Funds (\$40.082 billion)

Iraqi funds are now the most important source for reconstruction efforts. As of September 30, 2007, these funds totaled \$40.082 billion, including:

- vested (frozen) funds of \$1.724 billion
- seized funds, including confiscated cash and property, of \$927 million
- Development Fund for Iraq (DFI) funds, drawn primarily from oil proceeds and repatriated funds, of \$9.331 billion<sup>11</sup>
- Iraqi capital budget funding of \$28.1 billion from 2004 to 2007

For an accounting of seized, vested, and the DFI transition sub-account, see Appendix H, “Iraqi Funds Obligated for Reconstruction Activity by CPA.”

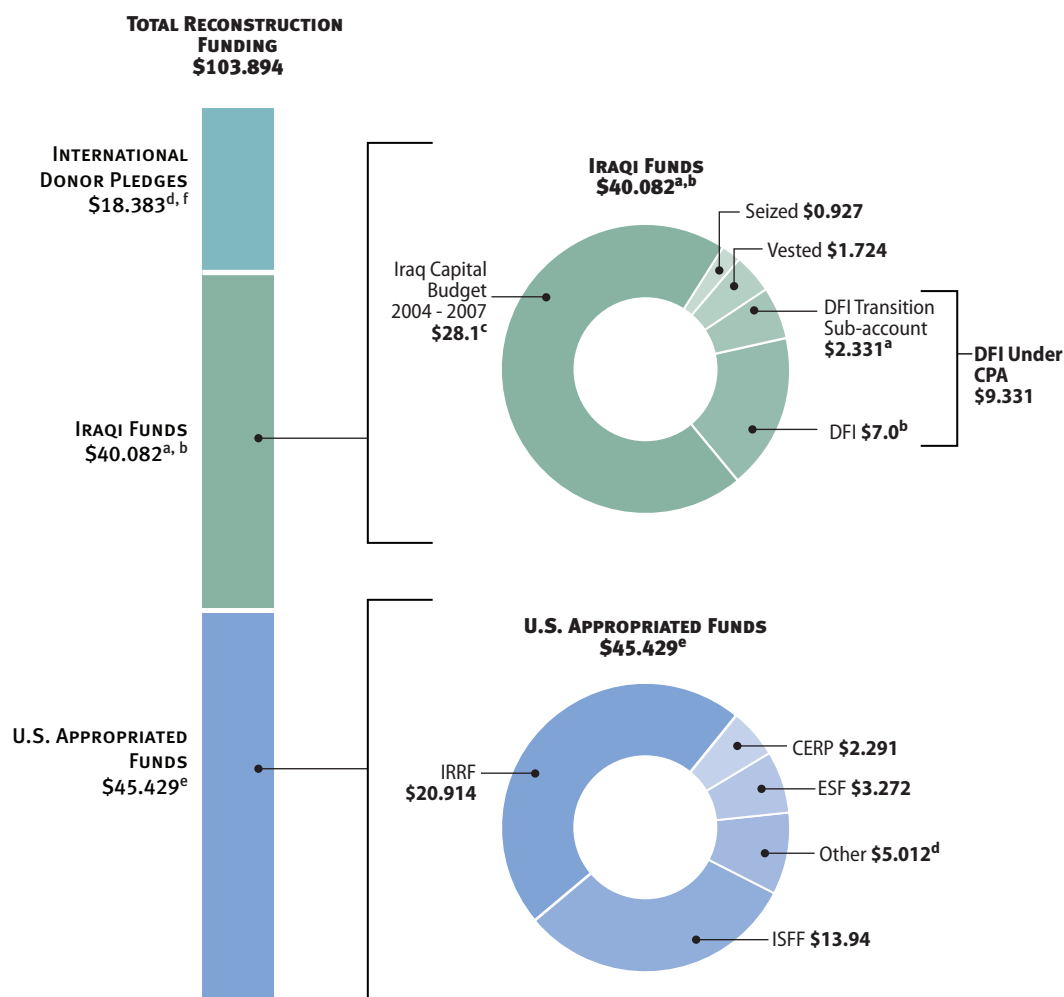
SIGIR collects data on U.S. funding from different sources.<sup>12</sup> Appendix C cross-references budget terms associated with the IRRF, ISFF, ESF, CERP, and international support for Iraq reconstruction.



Figure 2.1

**SOURCES OF IRAQ RECONSTRUCTION FUNDING - \$103.894 BILLION**

\$ Billions



a. Includes August 11, 2004 transfer of \$86 million cash from the Central Bank of Iraq for CERP at the authorization of the Ministry of Finance.

b. In previous Quarterly Reports, SIGIR reported approximately \$20 billion in DFI cumulative deposits to fund Iraqi government operations and reconstruction programs. SIGIR has refined that number to reflect only reconstruction funding, which is approximately \$7 billion, according to GAO audit 05-876 (July 28, 2005, p. 2).

c. U.S. Embassy, Iraq, response to SIGIR data call, October 15, 2007.

d. May include humanitarian aid or other types of assistance.

e. Where Iraq-only appropriations are unavailable, SIGIR assigned 85% for Iraq based on historical trends.

f. International donor pledges are discussed in detail later in this section.



# U.S. FUNDING FOR IRAQ RECONSTRUCTION



section

# 2a

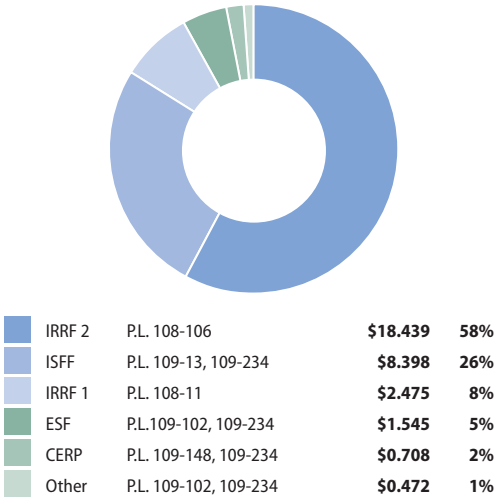
## U.S. FUNDING FOR IRAQ RECONSTRUCTION

Pursuant to Public Law (P.L.) 108-106, Section 3001 (as amended), SIGIR reports on the oversight of and accounting for U.S. taxpayer funds expended on Iraq’s relief and reconstruction. In December 2006, P.L. 109-364 expanded SIGIR’s oversight to include all funds made available for FY 2006 for the reconstruction of Iraq. Figure 2.2 shows the total funding under SIGIR’s oversight authority.

The U.S. reconstruction program in Iraq now totals \$45.429 billion. Nearly half of this funding went to the IRRF, of which only about 12% remains for expenditure. Figure 2.3 shows a timeline for all major U.S. funds appropriated for relief and reconstruction to date.

Figure 2.2

**SUMMARY OF SIGIR OVERSIGHT**  
\$ Billions, % of \$32.037 Billion  
Sources: P.L. 108-106, P.L. 109-13, P.L. 109-234, P.L. 109-102, P.L. 108-11, P.L. 109-148

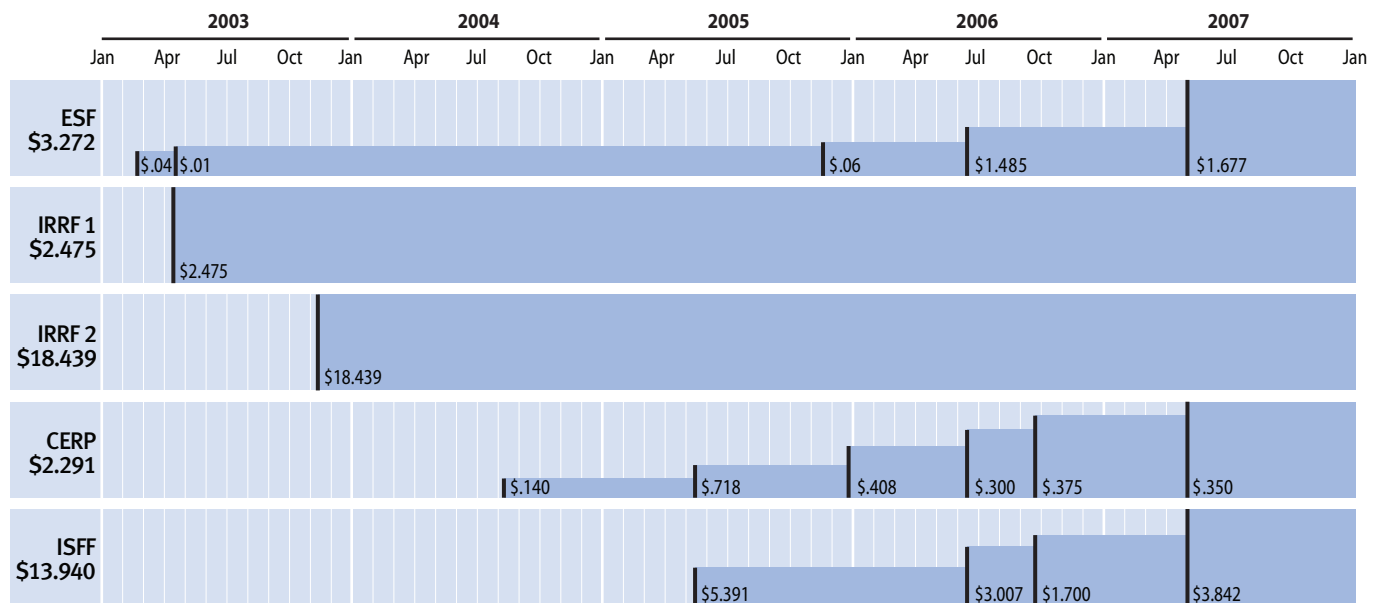


CERP = Commander’s Emergency Response Program  
IRRF 1 & 2 = Iraq Relief and Reconstruction Fund  
ISFF = Iraq Security Forces Fund  
ESF = Economic Support Fund  
P.L. = Public Law

# U.S. FUNDING FOR IRAQ RECONSTRUCTION

Figure 2.3

**TIMELINE OF U.S. APPROPRIATIONS (ALLOCATIONS BY DATE)**  
\$ Billions



In addition to the appropriations shown in Figure 2.3, the Congress has finalized the FY 2007 funding levels. This included \$201.34 million in additional reconstruction dollars:

- \$122.80 million for the ESF
- \$20.05 million for the Bureau of International Narcotics and Law Enforcement Affairs (INL)
- \$20.00 million for Migration and Refugee Assistance
- \$38.49 million in other reconstruction funds

Table 2.1 provides the status of the IRRF and identifies the primary funds associated with SIGIR's oversight, including the ISFF, ESF, CERP, and others.

Table 2.2 presents the most complete information available on the U.S. appropriations for Iraq relief and reconstruction, including 28 non-IRRF activities.

# U.S. FUNDING FOR IRAQ RECONSTRUCTION

## U.S. SUPPORT FOR IRAQ RECONSTRUCTION (BILLIONS)

U.S. FUND	APPROPRIATED	ALLOCATED	OBLIGATED	EXPENDED
IRRF 1	\$2.475	\$2.473	\$2.232	\$2.139
IRRF 2	18.439	18.322	17.671	16.230
<b>IRRF Total</b>	<b>\$20.914</b>	<b>\$20.795</b>	<b>\$19.903</b>	<b>\$18.369</b>
ISFF FY05	\$5.391	\$5.316	\$5.261	\$5.033
ISFF FY06	3.007	3.007	2.991	1.375
ISFF FY07	5.542	4.328	1.782	0.832
<b>ISFF Total</b>	<b>\$13.940</b>	<b>\$12.651</b>	<b>\$10.034</b>	<b>\$7.240</b>
ESF FY03	\$0.050	-	\$0.050	\$0.050
ESF FY06 Supplemental	1.485	1.485	1.077	0.238
ESF FY06, State	0.060	0.060	0.060	-
ESF FY07	1.554	1.554	1.045	0.005
ESF FY07, Continuing Resolution	0.123	0.105		
<b>ESF Total</b>	<b>\$3.272</b>	<b>\$3.204</b>	<b>\$2.232</b>	<b>\$0.293</b>
CERP FY04	\$0.140	-	0.030	0.030
CERP FY05	0.718	-	0.737	0.620
CERP FY06	0.708	-	0.465	0.458
CERP FY07	0.725	-	0.490	0.237
<b>CERP Total</b>	<b>\$2.291</b>	<b>-</b>	<b>\$1.722</b>	<b>\$1.345</b>
<b>Other Funding</b>	<b>\$5.012</b>	<b>\$0.261</b>	<b>\$0.132</b>	<b>\$0.001</b>
<b>Total U.S. Appropriated</b>	<b>\$45.429</b>	<b>\$36.911</b>	<b>\$33.284</b>	<b>\$26.983</b>

Sources: IRRF 1 and 2: Allocated, Obligated, and Expended figures all from DoS, *Iraq Weekly Status* (9/26/2007). ISFF FY 2005 - FY 2007: Allocated, Obligated, and Expended figures all from Corps of Engineers Financial Management System, ISFF Funds Execution Report (10/1/2007); DoD, Secretary of the Army Update (8/31/07). CERP FY 2004 - FY 2007: Obligated and Expended figures (no Allocated detail for CERP) all from IRMS, MNC-I *Quarterly Report* (9/30/2007). INL: Allocated, Obligated, and Expended figures all from INL, response to SIGIR data call (10/18/2007). ESF FY 2006 Supplemental: Allocated figures from ITAO, response to SIGIR data call (10/15/2007); USAID, response to SIGIR data call (10/17/2007). ESF FY 2006 Supplemental: Obligated and Expended figures from ITAO, response to SIGIR data call (10/15/2007); IRMS, ESF Cost to Complete (10/5/2007); USAID, *Activities Report* (10/15/2007). ESF FY 2007 Supplemental and CR: Allocated figures from ITAO, response to SIGIR data call (10/15/2007); USAID, response to SIGIR data call (10/17/2007). ESF FY 2007 Supplemental and CR: Obligated and Expended figures from IRMS, ESF Cost to Complete (10/5/2007); USAID, *Activities Report* (10/15/2007). ESF FY 2006 State: Allocated figures from ITAO, response to SIGIR data call (10/15/2007). ESF FY 2006 State: Obligated and Expended figures from DoS, *Section 2207 Report* (4/2007).

### Notes:

1. Numbers are affected by rounding.
2. CERP FY 2005 funding included Iraq and Afghanistan. The division of funds was the decision of CENTCOM and not called for in the law. Therefore, SIGIR is unable to entirely reflect transfers, de-obligations, and re-obligations.

TABLE 2.1

# U.S. FUNDING FOR IRAQ RECONSTRUCTION

FUNDING MECHANISM	PUBLIC LAW #	DATE OF ENACTMENT	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 2003	EMERGENCY APPROPRIATIONS ACT FOR THE DEFENSE AND RECONSTRUCTION OF IRAQ AND AFGHANISTAN, 2004	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR THE DEFENSE, THE GLOBAL WAR ON TERROR, AND TSUNAMI RELIEF, 2005	APPROPRIATIONS FOR THE DEPARTMENT OF STATE, FY 2006	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, FY 2006	DEPARTMENT OF DEFENSE ACT, FY 2007	U.S. TROOP READINESS, VETERANS' CARE, KATRINA RECOVERY, AND IRAQ ACCOUNTABILITY APPROPRIATIONS ACT, 2007	2007 FOREIGN ASSISTANCE CONTINUING RESOLUTION	TOTAL APPROPRIATIONS
Iraq Relief and Reconstruction Fund (IRRF 2) <sup>a</sup>	PL 108-7	16-Apr-03	\$18,439,000,000									\$18,439,000,000
Iraq Security Forces Fund (ISFF)												\$13,940,300,000
Economic Support Fund (ESF) <sup>b</sup>												\$3,272,190,000
Iraq Relief and Reconstruction Fund (IRRF 1)												\$2,475,000,000
Commander's Emergency Response Program (CERP)												\$2,291,000,000
Project and Contracting Office <sup>c</sup>												\$990,082,000
Coalition Provisional Authority (CPA) <sup>d</sup>												\$908,000,000
Diplomatic and Consular Programs												\$856,567,000
Natural Resources Risk Remediation Fund (NRRRF)												\$489,300,000
Department of State International Narcotics Control and Law Enforcement (DoS/INL)												\$281,448,000
Democracy Fund (State)												\$250,000,000
New Iraqi Army <sup>e</sup>												\$210,000,000
International Disaster and Famine Assistance												\$193,800,000
Iraq Freedom Fund (Reconstruction and Rehabilitation only) <sup>f</sup>												\$150,000,000
Special Inspector General for Iraq Reconstruction (SIGIR)												\$134,000,000
USAID Administrative Expenses												\$124,400,000
Child Survival and Health Programs Fund												\$90,000,000
P.L. 480 Title II Food Aid												\$68,000,000
Migration and Refugee Assistance												\$65,000,000
Voluntary Peacekeeping Operations												\$50,000,000
Emergency Refugee and Migration Assistance <sup>g</sup>												\$37,000,000
Education and Cultural Exchange Programs												\$20,000,000
Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR)												\$19,350,000
Overseas Humanitarian, Disaster and Civic Aid												\$17,000,000
Defense Contract Audit Agency (DCAA)												\$16,372,000
International Affairs Technical Assistance												\$15,750,000
United States Agency for International Development, Office of Inspector General (USAID OIG)												\$10,400,000
DoD Office of the Inspector General												\$5,000,000
Combatant Commander Initiative Fund (CINC Initiative Fund)												\$3,612,000
Department of State, Office of Inspector General												\$2,300,000
Department of Justice, litigation support												\$1,648,000
International Military and Education Training (IMET)												\$1,138,000
Legal Activities and U.S. Marshals Salaries and Expenses												\$1,000,000
<b>TOTAL</b>												<b>\$45,429,350,000</b>

Notes:

<sup>a</sup> \$18,439 billion represents the amount appropriated by Congress for Iraq programs in IRRF 2 under P.L. 108-106, enacted in November 2003. Congress had initially appropriated \$18.649 billion to IRRF 2, but also earmarked that \$210 million be transferred to other accounts for program administration, and \$18,439 billion to IRRF 2. The administration transferred out of the IRRF to other accounts \$18,439 billion for Iraq reconstruction programs that could be implemented through other accounts, such as \$350 million from the DoS Economic Support Fund account.

<sup>b</sup> \$40M from FY 2003 ESF base account that was not reimbursed; \$10M from P.L. 108-11.

<sup>c</sup> Per conference reports for P.L. 109-234 and P.L. 110-28, reconstruction support funding is provided for Project and Contracting Office activities.

<sup>d</sup> Excludes \$75M for Special Inspector General for Iraq Reconstruction under P.L. 108-106.

<sup>e</sup> Where Iraq-only appropriations unavailable, based on historical trends SIGIR split 85% for Iraq and 15% for Afghanistan.

<sup>f</sup> P.L. 110-28 conference report includes \$50M in drawdown authority for a task force to improve business and stability operations in Iraq and \$100M to help DoD defray the administrative/security costs of helping support Provincial Reconstruction Teams as identified in 110-28 conference report. Includes Iraq reconstruction efforts for civilian personnel, temporary/additional duty, and miscellaneous contracts.

TABLE 2.2

Contracts

SIGIR designed and built the SIGIR Iraq Reconstruction Information System (SIRIS) in 2005 to serve as a repository for all project, contract, and funding data on Iraq reconstruction. SIRIS is not a transaction-based system, but rather a warehouse of reconstruction data collected from all of the organizations authorized to obligate funds from the IRRF, ISFF, ESF, and CERP.

SIRIS contains more than 15,000 contracting actions funded by the IRRF, ISFF, and ESF. At

a contract level, SIRIS can account for approximately 81% of total IRRF 2 obligations, more than 91% of ESF obligations, and almost 98% of ISFF obligations. Since the July 2007 Quarterly Report, SIRIS has recorded 2,287 contracting actions.

Table 2.3 shows the obligated and expended values for IRRF, ISFF, and ESF contracting actions recorded in the SIRIS.<sup>13</sup>

SIRIS CONTRACTING ACTIONS, AS OF 10/19/07 (BILLIONS)

	OBLIGATED	EXPENDED
ISFF	\$9.798	\$7.153
IRRF 2 GRD Construction	\$7.496	\$6.622
IRRF 2 GRD Non-construction	\$3.953	\$3.773
IRRF 2 USAID	\$2.911	\$2.819
ESF GRD	\$0.597	\$0.091
ESF USAID	\$1.478	\$0.141

TABLE 2.3



## IRAQ SECURITY FORCES FUND (ISFF)

In 2005, the Congress established the Iraq Security Forces Fund (ISFF). The Commander of the Multi-National Security Transition Command-Iraq (MNSTC-I)<sup>14</sup> uses the ISFF to provide assistance to the Iraqi Security Forces (ISF), “including the provision of equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction, and funding.”<sup>15</sup>

The Congress appropriated \$13.94 billion to this fund through four appropriations:

- \$5.39 billion for ISFF I (P.L. 109-13 in 2005)
- \$3.007 billion for ISFF II (P.L. 109-234<sup>16</sup> in 2006)
- \$5.54 billion for ISFF III (P.L. 109-289 in 2006 and P.L. 110-28 in 2007)

Today, the ISFF complements Iraq’s budgets for the Ministries of Defense and Interior in building the Iraqi Security Forces’ (ISF’s) capabilities.<sup>17</sup> In addition to supporting a variety of programs within the Ministries, the fund also finances “other” activities, including work for prosthetics clinics, a quick-impact program for

training and equipping the ISF, detainee issues, and disarmament, demobilization, and reintegration activities.<sup>18</sup>

Figure 2.4 is a flowchart from SIGIR’s “Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and Reconstruction,” released on July 27, 2007. It provides visual details about the ISFF appropriation and obligation processes.

As of October 1, 2007, approximately 72% of the ISFF had been obligated and about 52% had been expended. For the status and allocations of all ISFF funds, see Figure 2.5.

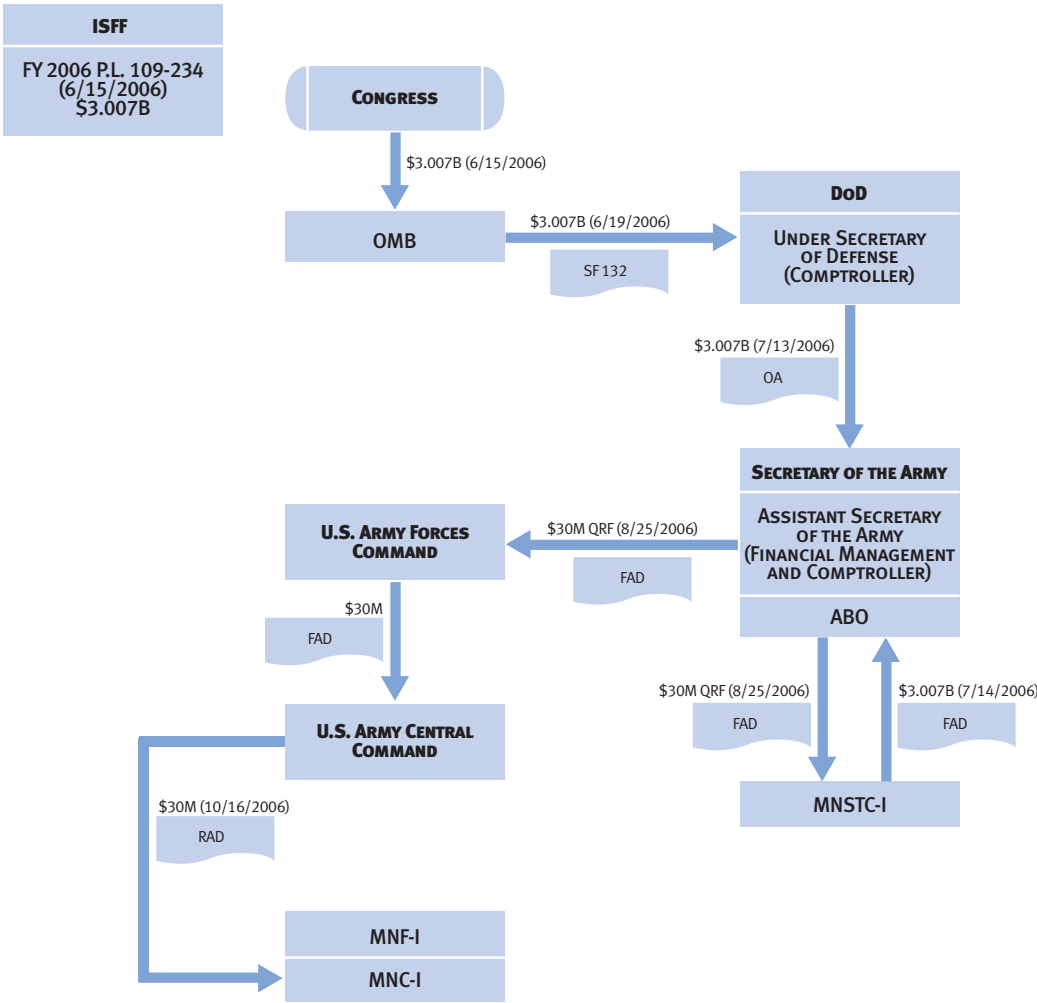
### Funding Uses

ISFF projects and programs contribute to the development of the Iraqi Security Forces, coordinating with the Ministry of Defense (MOD) and Ministry of Interior (MOI), through these sub-activity groups:

- Training and Operations
- Equipment and Transportation
- Sustainment
- Infrastructure

Figure 2.4

**FLOW OF IRAQ SECURITY FORCES FUND (ISFF), P.L. 109-234**  
Sources: Office of Management and Budget; Assistant Secretary of the Army (Financial Management and Comptroller), Army Budget Office; Multi-National Security Transition Command-Iraq



ABO Army Budget Office  
B Billion  
FAD Funding Authorization Document  
M Million  
OA Obligation Authority  
RAD Resource Allocation Document  
SF 132 Apportionment and Reapportionment Schedule  
QRF Quick Response Fund, part of the ISFF

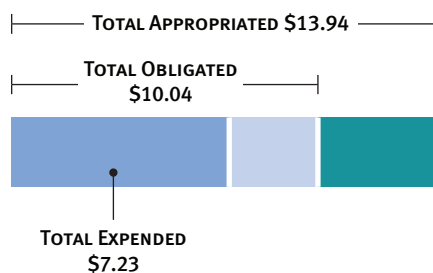
Note: Dates represented are the initial transmittal dates of funds apportioned or allotted for each action, and do not necessarily represent an action for the total amount of funds.

Figure 2.5

**STATUS OF ISFF FUNDS**

\$ Billions

Sources: P.L. 109-13; P.L. 109-234; P.L. 109-289; P.L. 110-28; Corps of Engineers Financial Management System, ISFF Funds Execution Report (10/1/2007); DoD, Secretary of the Army Update (8/31/2007)

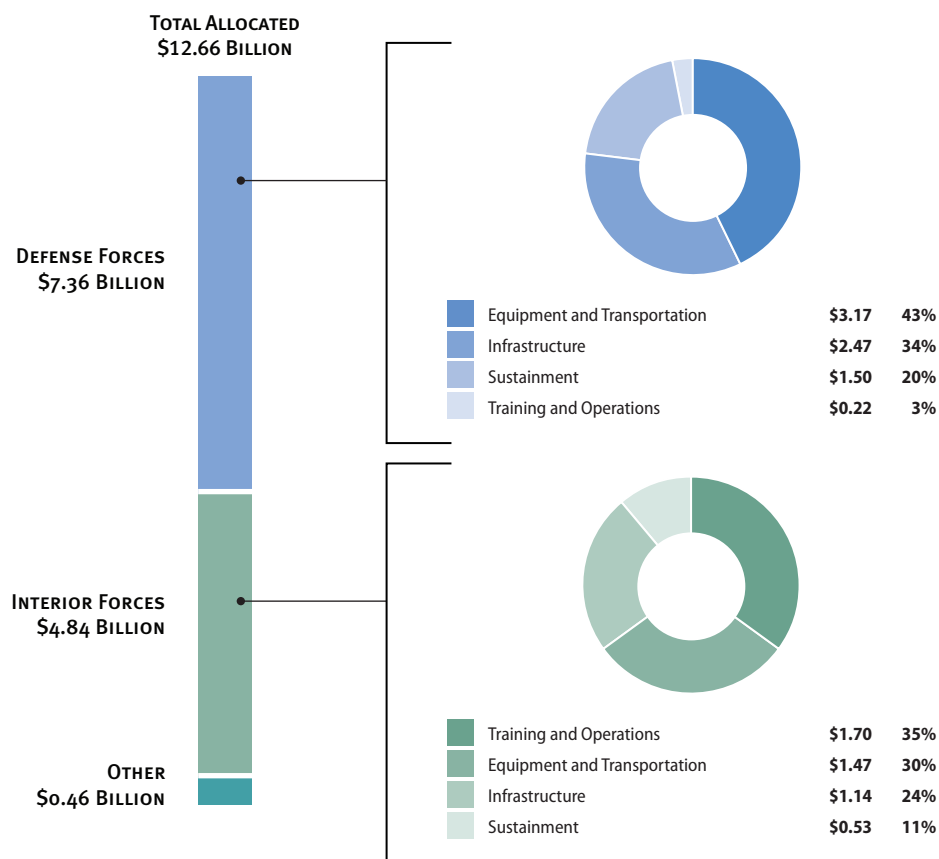


Note: Numbers are affected by rounding.

**ALLOCATIONS OF ISFF FUNDS**

\$ Billions

Source: Corps of Engineers Financial Management System, ISFF Funds Execution Report (10/1/2007)



## Notes:

1. Numbers are affected by rounding.

2. Source for Quick Response Fund data is DoD, Secretary of the Army Update (8/31/2007)

The MOD received 53% of total appropriated ISFF funds, while the MOI received 35%.

Funds for equipment and transportation comprise 43% of MOD allocations, while the largest category of ISFF funding for the MOI is for training and operations programs (35%).

FY 2007 ISFF has provided a range of items for MOD and MOI, including weapons, ammunition, vehicles, body armor, radar systems, communications equipment, counter-IED devices, bomb disposal equipment, and medical materiel.<sup>19</sup> The ISFF also provides funding for

sustainment, infrastructure, and a range of services within the four sub-activity groups. Table 2.4 gives a snapshot of ISFF activities for the MOD and MOI.

The United States continues to transition funding requirements to the Iraqis. MNSTC-I recently informed MOD and MOI that the Coalition would cease to fund life support contracts at eight MOI training locations and eight run by the MOD.<sup>20</sup>

#### ISFF ACTIVITIES (\$ BILLIONS)

	MINISTRY OF DEFENSE	MINISTRY OF INTERIOR	DEFENSE ISFF	INTERIOR ISFF
Training and Operations	IT, Equipment, and Service; Contracted Instructor Support; Communication Equipment and Service	Contracted Instructor Support; Bomb Disposal Equipment	\$0.15	\$1.36
Equipment and Transportation	Vehicles, Generators, and Repair Parts; Aircraft Support; Unit and Individual Equipment	Vehicles, Generators, and Repair Parts; Contracted Transportation	\$1.56	\$0.42
Sustainment	Contracted Life Support Services; Contracted Maintenance	Contracted Life Support Services	\$0.62	\$0.27
Infrastructure	Iraqi Army Divisions; Iraqi Army Miscellaneous	Iraqi Police Service; Ministry of Interior Miscellaneous	\$1.37	\$0.56
<b>Total</b>			<b>\$3.70</b>	<b>\$2.61</b>

Source: MNSTC-I, Section 3303 funding June 30, 2007 Report, received August 26, 2007.

Note: ISFF funds other activities that are not specifically allocated by ministry, including funding for prosthetics, DDR, Quick Response Fund, and detainee issues. IT, Equipment, and Service includes computers, network service contracts, and other equipment, such as printers, copiers and scanners. Contracted Instructor Support includes advisors to the Government of Iraq and instructors for various military and police programs. Communication Equipment and Service includes phone service contracts, cellular phones, hand-held radios, vehicle radios, etc. Vehicle, Generators, and Repair Parts includes costs for all vehicles and generators and the majority of the repair parts that support them. Contracted Transportation includes the cost to move equipment and supplies to Iraq and within theater. Aircraft Support includes aircraft purchase costs, repair parts, technology, and other equipment. Unit and Individual Equipment includes costs for armor, night vision, uniforms, helmets, and Global Positioning Systems. Bomb Disposal Equipment refers to equipment and gear destined for bomb disposal schools. Contracted Maintenance includes repair costs of vehicles, aircraft, machinery, air conditioners, and generators. Funding for the Iraqi Police Service includes infrastructure requirements for police stations.

TABLE 2.4

## ISFF Contractors, Programs and Projects

In an effort to identify the top ten ISFF contractors by dollar amount, SIGIR consulted three sources of information—MNSTC-I, JCC-I/A, and SIRIS.<sup>21</sup> SIGIR then compared the three lists and found serious discrepancies:

- Only one contractor appeared on all three lists.
- The MNSTC-I list accounted for approximately \$438 million, the JCC-I/A list accounted for approximately \$887 million, and the SIRIS list accounted for approximately \$2.47 billion.
- Many line items in the SIRIS source data do not identify a contractor; 376 line items (totaling more than \$3 billion in obligations) do not report a contractor name. Three of these line items are of such high value that they appear on the top ten

contractor list, but without a contractor name. Instead, they are listed by the agency awarding the contract (shown below in italics). Of those, the two highest value line items are contracted to INL support, based on the item description in the source data. The third highest value item is contracted to DoD for the Defense Security Cooperation Agency (DSCA).

SIGIR concluded that SIRIS provides the most complete record of ISFF contractors.

Table 2.5 shows the top ten ISFF contractors by obligated funds as listed in SIRIS.

SIGIR will continue its efforts to identify the top ten ISFF contractors based on the most complete ISFF data possible. SIGIR will work with MNSTC-I to report this information next quarter.

### TOP TEN ISFF CONTRACTORS

	OBLIGATED	EXPENDED
<i>Contract to DoS for INL Support</i>	\$696	\$696
Environmental Chemical Corporation	\$665	\$410
AECOM, Government Services, Inc.	\$414	\$348
<i>Contract to DoS for INL Support</i>	\$386	\$386
Tetra International, LLC	\$249	\$168
Toltest, Inc.	\$231	\$148
Iraqi Contractor - 5300	\$226	\$156
<i>Contract to DoD for DSCA</i>	\$224	\$224
Innovative Technical Solutions, Inc.	\$212	\$127
URS Group, Inc.	\$192	\$43

Source: USACE, response to SIGIR data call, September 30, 2007.  
Note: Numbers are affected by rounding.

TABLE 2.5

## CONSTRUCTION PROJECTS

The Air Force Center for Engineering and the Environment (AFCEE) has awarded approximately 90% of the ISFF construction contracts on behalf of MNSTC-I. USACE-GRD manages the remaining ISFF contracts.

AFCEE administers 492 projects comprising a regionally diverse range of police facilities, corrections facilities, and forward operating bases. AFCEE contracts for a variety of construction activities, using predominantly local national workers.<sup>22</sup>

GRD administers 86 ISFF-funded projects, ranging in value from \$25,000 to \$17 million. As of October 4, 2007, GRD has completed construction on 46 of 60 projects and awarded 7 projects that have yet to start; 19 remain in the planning stage.<sup>23</sup>

MNSTC-I is actively engaged in transferring completed facilities to Iraqi control. Of 254 defense facilities finished before April 2007, 73 (29%) have been accepted by Iraqi authorities. Of the 19 facilities completed since April 2007, 10 (53%) have been transferred. MNSTC-I reports that bilateral and unilateral transfer options are being planned.<sup>24</sup> The problems encountered by MNSTC-I in asset transfer echo those identified by SIGIR's asset transfer audit issued last quarter.

## NON-CONSTRUCTION PROGRAMS

MNSTC-I has modified the use of the ISFF to train, equip, and sustain Iraqi security forces to meet the changing nature of Iraq's requirements.<sup>25</sup> The provision of sustainment services—which is largely contracted out—now accounts for a substantial portion of ISFF obligations.

### EQUIPMENT AND TRANSPORTATION FUNDED BY THE ISFF, MINISTRY OF INTERIOR (MILLIONS)

	FY 2005	FY 2006	FY 2007	TOTAL
Vehicles, Generators, and Repair Parts	\$143.2	\$84.5	\$9.3	\$237.0
Unit and Individual Equipment	86.0	41.4	15.9	143.3
Contracted Transportation	29.1	150.0	0.0	179.1
Vehicle Up Armor and Counter Measure Modifications <sup>a</sup>	16.7	12.7	10.4	39.8
<b>Total</b>	<b>\$275.0</b>	<b>\$288.6</b>	<b>\$35.6</b>	<b>\$599.2</b>

Source: MNSTC-I, Section 3303 funding, June 30, 2007 Report, received August 26, 2007.

Notes: Numbers are affected by rounding.

<sup>a</sup>Vehicle Up Armor and Counter Measure Modifications refers to additional costs to vehicles, including counter measures.

TABLE 2.6

## EQUIPMENT AND TRANSPORTATION FUNDED BY THE ISFF, MINISTRY OF DEFENSE (MILLIONS)

	FY 2005	FY 2006	FY 2007	TOTAL
Aircraft Support	\$56.3	\$27.0	\$130.3	\$213.6
Vehicles, Generators, and Repair Parts	968.9	118.2	37.8	1,124.9
Unit and Individual Equipment	142.6	58.3	21.6	222.5
Contracted Maintenance	79.3	0.0	0.0	79.3
Contracted Transportation	52.3	40.3	1.4	94.9
Weapons and Accessories	0.6	19.8	14.5	34.9
Vehicle Up Armor and Counter Measure Modifications	6.5	0.0	32.4	38.9
<b>Total</b>	<b>\$1,307.4</b>	<b>\$263.6</b>	<b>\$238.0</b>	<b>\$1,809.0</b>

Source: MNSTC-I, Section 3303 funding, June 30, 2007 Report, received August 26, 2007.

Note: Numbers are affected by rounding.

Table 2.7

### Equipment, Transportation, and Sustainment

As shown in Table 2.6 and Table 2.7, early ISFF equipment and transportation outlays addressed the immediate requirements of the nascent security force, which included vehicles, unit and individual equipment needs, and transportation maintenance. Although some level of primary equipment support continues, air support, up-armor, and other equipment countermeasures have begun to consume a growing share of equipment outlays.

### Sustainment

Similarly, early ISFF allocations for sustainment activities reflect the limited capacity of the ISF to maintain life support and operations and maintenance systems. The ability of the MOD and the MOI to maintain an effective logistics support capability has been the subject of reviews by SIGIR, GAO, and congressional bodies.<sup>26</sup> For a

breakdown of ISFF funding for sustainment by MOD and MOI, see Table 2.8 and Table 2.9

### Training

DoD observed recently that “the principal impediment causing the delay in transitioning security to Iraqi control is a lack of capability in the Iraqi Police Service (IPS), which prevents them from being able to manage the provincial security situation.”<sup>27</sup> MOI training programs funded by the ISFF have been targeted to address the requirements of the Iraqi police. For the total numbers of ISF personnel trained over time, see Figure 2.6.

### *Iraqi Police*

The ISFF is used to hire advisors who mentor, evaluate, and advise the Iraqi police and border enforcement officers, often in partnership with the U.S. military in police training teams.<sup>28</sup>

### SUSTAINMENT FUNDED BY THE ISFF, MINISTRY OF INTERIOR (MILLIONS)

	FY 2005	FY 2006	FY 2007	TOTAL
Contracted Life Support Services	\$211.7	\$53.4	\$0.0	\$265.1
Contracted Maintenance	0.0	13.3	0.0	13.3
Information Technology, Equipment, and Service	0.0	11.9	0.1	12.0
<b>Total</b>	<b>\$211.7</b>	<b>\$78.6</b>	<b>\$0.1</b>	<b>\$290.4</b>

Source: MNSTC-I, Section 3303 funding, June 30, 2007 Report, received August 26, 2007.  
Note: Numbers are affected by rounding.

TABLE 2.8

### SUSTAINMENT FUNDED BY THE ISFF, MINISTRY OF DEFENSE (MILLIONS)

	FY 2005	FY 2006	FY 2007	TOTAL
Contracted Life Support Services	\$113.9	\$64.8	\$12.8	\$191.5
Contracted Maintenance	195.7	64.0	166.1	425.8
Contracted Security	63.8	19.4	18.9	102.1
Unit and Individual Equipment	56.2	0.0	0.0	56.2
Information Technology, Equipment and Service	1.6	0.2	21.2	21.4
<b>Total</b>	<b>\$431.2</b>	<b>\$148.4</b>	<b>\$219.0</b>	<b>\$798.6</b>

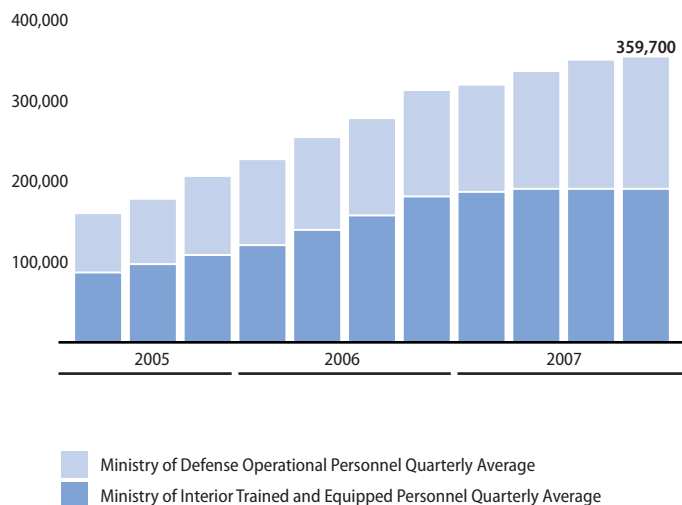
Source: MNSTC-I, Section 3303 funding, June 30, 2007 Report, received August 26, 2007.  
Note: Numbers are affected by rounding.

TABLE 2.9

Figure 2.6

#### TRAINED IRAQI SECURITY FORCES

Source: DoD, *Measuring Stability and Security in Iraq* (July 2005 - September 2007);  
DoS, *Iraq Weekly Status* (January 2005 - October 2007)





Funding for these programs comes from three entities—ISFF-supported Civilian Police Assistance Training Team (CPATT) programs, Iraq's Ministry of Interior, and the Kurdistan Regional Government (KRG) Ministry of Interior.

The United States and MOI funded 258 police training programs between June and October

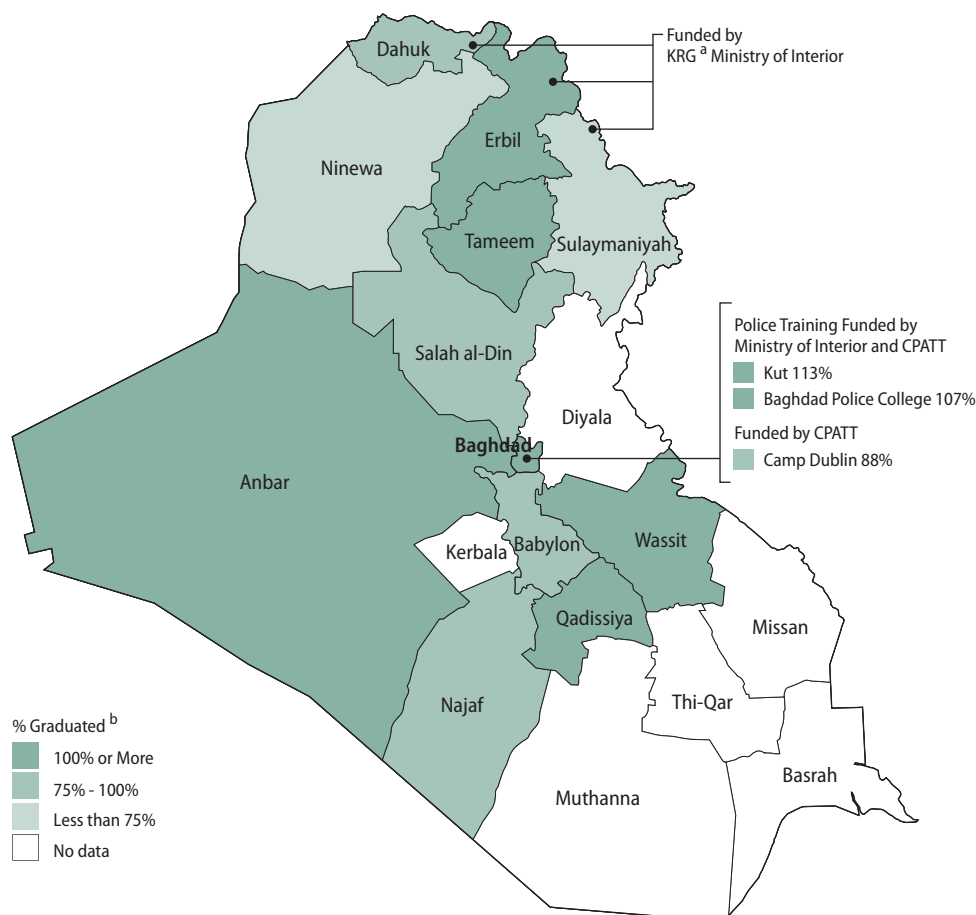
2007.<sup>29</sup> Nearly 34,900 recruits are scheduled to complete the programs by the end of November 2007.<sup>30</sup>

This quarter, 9,764 recruits graduated from the IPS basic recruit training, and 5,051 are currently enrolled in the program. Regarding the National Police (NP), approximately 1,140 Iraqis

Figure 2.7

**IRAQI POLICE TRAINING PROGRAMS - GRADUATES (JUNE 2007 - SEPTEMBER 2007)**

Source: MNSTC-I, Response to SIGIR Data Call (10/9/2007)



**Notes:**

a. KRG refers to Kurdistan Regional Government

b. Percentages reflect the ratio of actual training graduates to anticipated program goals.

graduated from basic recruit training and 438 from specialized training. Approximately 1,735 NP recruits have enrolled in NP basic training, and 722 in specialized training courses.<sup>31</sup> For police training programs, by location, see Figure 2.7.

The United States has begun a four-part special training series to improve the NP. The first phase, completed in May 2007, was an evaluation of police operations, including battalion inspections and leadership assessments.<sup>32</sup> The second phase, still being conducted as of mid-October 2007, focuses on retraining every national police brigade.<sup>33</sup> This process is called “re-bluing” and is the latest phase in a Coalition effort to reform Iraq’s NP.

The September 2007 report by the Independent Commission on the Security Forces of Iraq, headed by retired General James L. Jones, recommended that the NP be eliminated because of militia infiltration.<sup>34</sup> The Commission noted that sectarianism, sparse leadership, and operational ineffectiveness threatened the viability of the NP.<sup>35</sup> The “re-bluing” is an attempt to reconstitute the NP into a meaningful security force.

#### *Iraqi Army*

Training activities for Iraq’s Army are occurring at regional, divisional, and combat training centers. Iraqis manage and fund 23 courses in basic

combat training, military occupational specialty qualification (MOSQ) training, leadership training, and other specialties.<sup>36</sup> Basic combat training and MOSQ training are conducted in 9 locations, leadership training at 13 locations, and specialty training at 10 locations.

Seven training cycles were planned in 2007 for basic combat training, MOSQ, and the non-commissioned officer education system. As of October 2007, six of the cycles were completed, and two additional training cycles had been added to meet new force generation requirements. CMATT estimates that all nine cycles will be completed by early January 2008.<sup>37</sup>

Courses underway at the Iraqi Army Services and Support Institute in Taji focus on developing logistics, transport, maintenance, and administrative capabilities for more than 1,000 trainees. By mid-October, between 7,000 and 7,700 soldiers are expected to complete specialized weapon training, and CMATT anticipates that 10,000 will complete initial training by the end of 2007.<sup>38</sup>

The Coalition has undertaken a variety of steps to strengthen Iraq’s Army, embedding transition teams and expanding funding to increase the number of Iraqi soldiers.<sup>39</sup>

## COMMANDER'S EMERGENCY RESPONSE PROGRAM (CERP)

In May 2003, the Coalition Provisional Authority (CPA) formalized the CERP, authorizing field commanders to use available funds to respond to urgent humanitarian, relief, and reconstruction requirements within the commander's area of responsibility by executing programs that immediately assist indigenous populations and achieve "focused effects."

Initial funding for the CERP came from seized Iraqi assets and the Development Fund for Iraq (DFI). By late 2003 the United States began to appropriate U.S. dollars to the CERP. Since 2003, the Congress has appropriated nearly \$2.29 billion to the CERP.

In November 2003, the Congress passed P.L. 108-106, allowing more flexible contracting regulations for CERP funds and leaving regulation of the funds to DoD. The Multi-National Corps-Iraq (MNC-I) became the overall program coordinator for the CERP. Its major subordinate commanders have approval authority of up to \$500,000.

Commanders prioritize projects in coordination with PRTs, the provincial governors, and Provincial Reconstruction Development Committees (PRDCs). PRDCs are province-based committees of Iraqi officials who select projects in their area.

CERP projects are chosen based on how quickly they can be executed, the calculated

benefit for affected Iraqis (including short- and long-term employment), and the visibility of the project.<sup>40</sup> Most CERP funds have been used for projects that improve water and sanitation, electricity, and civic cleanup. With the exhaustion of the IRRF, CERP now plays a larger role in the reconstruction effort, especially in the essential services sectors.

CERP project spending continues to increase in Iraq. Figure 2.8 shows the status of these funds.

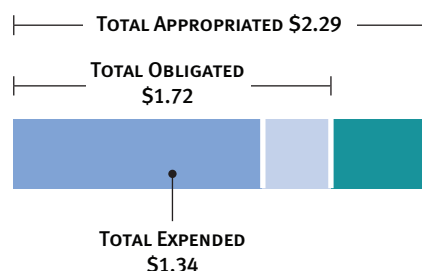
Figure 2.9 is a flowchart from SIGIR, the "Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and Reconstruction," released on July 27, 2007, showing the CERP funding process.

Figure 2.8

### STATUS OF CERP FUNDS

\$ Billions

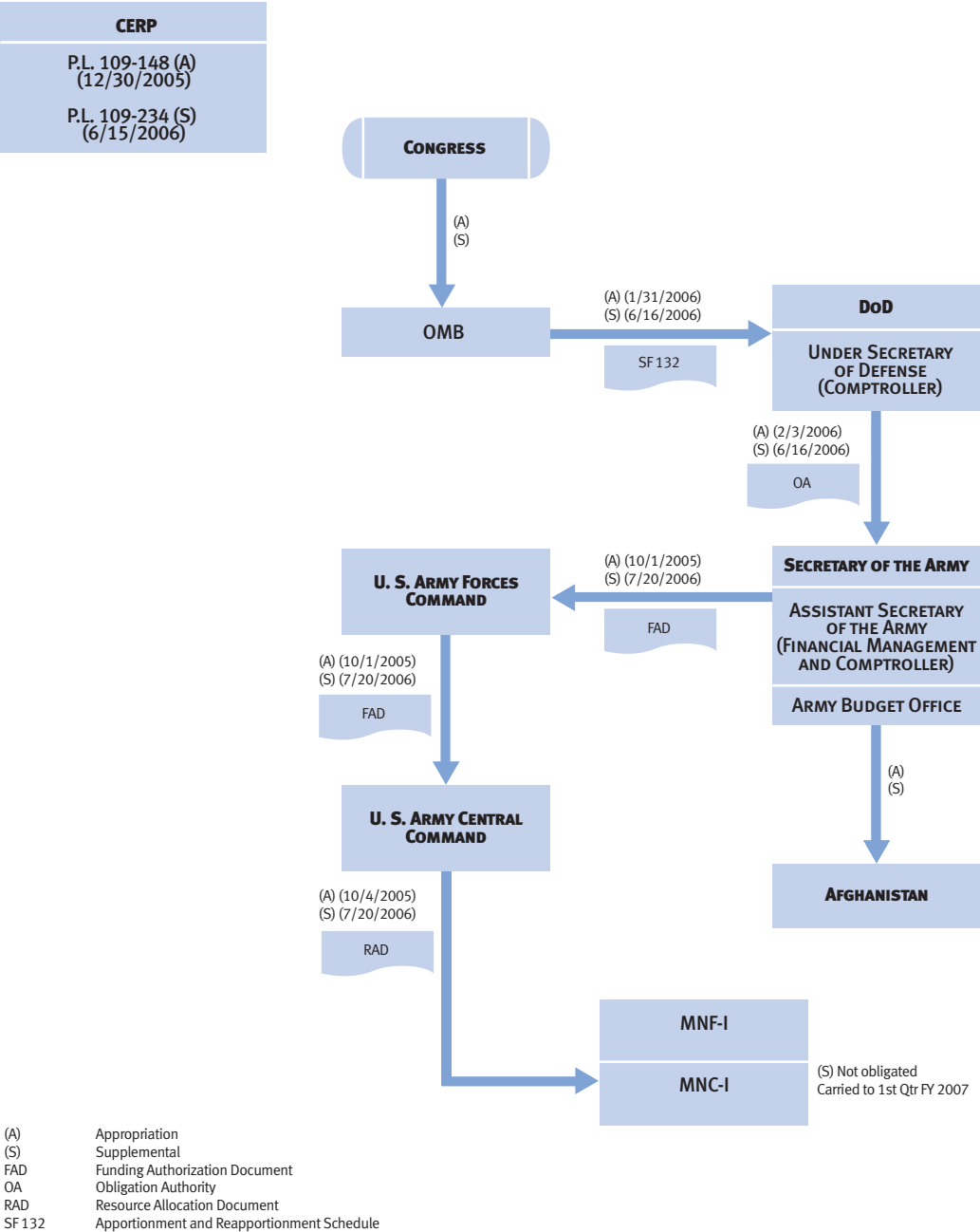
Sources: P.L.108-287; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L.110-28; IRMS, *MNC-I Quarterly Report (9/30/2007)*



Note: Numbers are affected by rounding.

Figure 2.9

**FLOW OF COMMANDER’S EMERGENCY RESPONSE PROGRAM (CERP) FUNDING FOR IRAQ**  
Sources: P.L. 109-148; P.L. 109-234; Office of Management and Budget; Assistant Secretary of the Army (Financial Management and Comptroller), U.S. Army Central Command; and the Multi-National Corps-Iraq



Funding Uses

Since 2004, the CERP has funded approximately 16,000 reconstruction and non-construction projects. The scope and obligations of CERP projects have grown since 2004. For CERP reconstruction projects, the average obligation has more than tripled since 2004—from an average of \$53,000 to more than \$170,000 in 2007.<sup>41</sup> Although the average obligation per project has risen, most CERP projects remain relatively small: 75% of projects in FY 2007 were valued at \$100,000 or less.<sup>42</sup>

Table 2.10 details the increase in average reconstruction and non-reconstruction

obligations.

The CERP has funded approximately \$39 million in condolence payments for Iraqis since 2004.<sup>43</sup> U.S. Brigade Commanders have approval authority to provide compensation up to \$2,500 for each injury or death and up to \$2,500 for each incidence of property damage.<sup>44</sup>

In April 2006, MNC-I extended the use of condolence payments to the families of members of the Iraqi Security Forces who die in direct support of U.S. and Coalition force operations. A general officer must authorize these payments.<sup>45</sup>

Since 2004, approximately 55% of CERP funds have been targeted for the Baghdad,

AVERAGE VALUE OF CERP PROJECTS BY FISCAL YEAR

	FY 2004	FY 2005	FY 2006	FY 2007 <sup>a</sup>
Average Reconstruction Obligations	\$53,882	\$139,994	\$165,885	\$172,959
Average Non-reconstruction Obligations	\$32,759	\$64,970	\$80,836	\$64,262


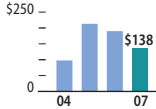

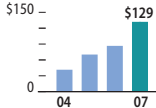

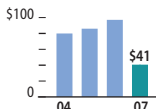

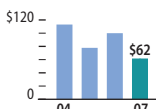
Note: Financial and project numbers are from the Iraq Reconstruction Management System (IRMS), a program management tool. IRMS is an unaudited source.  
<sup>a</sup> FY 2007 figures are representative of CERP obligations through September 30, 2007.

TABLE 2.10

Anbar, Diyala, and Salah al-Din provinces, four of the most violent provinces in Iraq.<sup>46</sup> Table 2.11 shows CERP use by the four governorates,

the change in average contract value for CERP project (by governorate), and the CERP funds allocated for condolence payments.

### CERP FUNDING BY PROVINCE\*

		MAJOR USES BY CATEGORY	AVERAGE PROJECT VALUE (\$ THOUSANDS) FY 2004 - FY 2007	CONDOLENCE PAYMENT ALLOCATION & USES
BAGHDAD		<ul style="list-style-type: none"> <li>Since 2004, CERP has budgeted \$750 million for projects in Baghdad.</li> <li>Water projects represent 43% of these funds, and electricity projects, approximately 12%.</li> </ul>		<ul style="list-style-type: none"> <li>Since 2004, CERP has budgeted approximately \$4 million in condolence payments for Baghdad.</li> <li>Budgeted CERP condolence payments in Baghdad increased from approximately \$721,000 in 2006 to \$1,900,000 in 2007.</li> </ul>
ANBAR		<ul style="list-style-type: none"> <li>Since 2004, CERP has budgeted \$287 million for Anbar.</li> <li>Water projects represent 20% of these funds, and electricity projects, 14%.</li> </ul>		<ul style="list-style-type: none"> <li>Since 2004, approximately 63% of CERP-funded condolence payments have been made for Anbar—more than \$22 million.</li> <li>Condolence payments represent 21% of the 3,695 CERP projects undertaken in Anbar since 2004.</li> </ul>
DIYALA		<ul style="list-style-type: none"> <li>Since 2004, CERP has budgeted \$105 million for Diyala.</li> <li>Water projects represent 31% of these funds. Transportation projects, such as road and bridge repair, represent 14% of these funds.</li> </ul>		<ul style="list-style-type: none"> <li>Total funds budgeted for condolence payments in Diyala have dropped every year since 2004—from \$630,000 in 2004 to \$130,000 in 2007.</li> <li>Approximately \$1.2 million has been budgeted for condolence payments in Diyala.</li> </ul>
SALAH AL-DIN		<ul style="list-style-type: none"> <li>Since 2004, CERP has budgeted \$150 million for projects in Salah al-Din.</li> <li>Water projects represent 21% of these funds, and transportation repairs, 15%.</li> <li>Education projects represent 12% of budgeted CERP work in this province.</li> </ul>		<ul style="list-style-type: none"> <li>Since 2004, nearly \$3 million has been budgeted for condolence payments in Salah al-Din.</li> <li>Condolence payments increased from approximately \$150,000 in 2004 to \$1.2 million in 2005. In 2006 and 2007, annual condolence payments decreased slightly from that peak.</li> </ul>

Source: GRD, IRMS, as of September 30, 2007. SIGIR has not audited or verified this data.

\*FY 2007 data is as of September 30, 2007.

TABLE 2.11

Table 2.12 lists CERP funds by strategic city. High per capita spending in Ramadi, Fallujah, and Baghdad represents the commanders' preferences to use CERP to complement coun-

terinsurgency efforts in those areas during the reporting period. U.S.-funded projects in strategic Iraqi cities focus on essential services, like electricity and water.

#### CERP FUNDING FOR STRATEGIC CITIES

CITY	POPULATION	APPROXIMATE AMOUNT BUDGETED	\$ US PER CAPITA	STATUS OF WATER INFRASTRUCTURE	STATUS OF ELECTRICITY INFRASTRUCTURE
Ramadi	100,000	\$51,500,000	\$510.00	Water distribution lines are connected to about 60% of the businesses and residences in Ramadi.	Estimated that Ramadi needs 400 MW, but gets only 20 MW on average.
Fallujah	200,000	\$74,500,000	\$370.00	Approximately 80% of the residents have serviceable water. Although technically capable treatment plants are constructed and operational, no chemicals are used to treat water. In addition, no homes have operational sewage lines. The city has a storm-water system. Many homes illegally connect sanitary sewers to the storm-water sewer system, which introduces large amounts of untreated sewage into the Euphrates River.	Electrical distribution lines are connected to about 80% of the homes and businesses in Fallujah. Security improvements have improved the supply of electricity into the city and increased reliability to the local private generator grid.
Baghdad	5,949,000	\$568,000,000	\$95.47	Water distribution lines are connected to about 30% of homes and businesses in Baghdad.	Currently, distribution lines are connected to about 75% of homes and businesses.
Najaf	482,000	\$23,800,000	\$49.37	Approximately 30% of the residences have potable water connections, and 40% have sewer lines connected.	Lines are connected to about 90% of homes and residences. Lines and transformers are old, worn out, and in need of repair.
Mosul	1,750,000	\$42,000,000	\$24.00	Approximately 60% of residences and businesses have access to potable water, and 40% have access to sewage lines.	About 80% of the homes have power approximately 10 hours per day.
Kirkuk	750,000	\$15,500,000	\$20.65	Kirkuk has no sewerage system, and citizens use septic tanks and open drainage into alleys and streets.	The goal is to provide a reliable supply of electricity to the businesses and residences in Kirkuk.
Samarra	200,000	\$2,700,000	\$13.50	The city has no operating water department to maintain or repair the existing system, which is 20% operational. There is no sewerage system in Samarra, and citizens use septic tanks and open drainage to alleys and streets.	The goal is to provide a reliable supply of electricity to 80% of the businesses and residences in Samarra.
Basrah	2,000,000	\$22,000,000	\$11.55	Approximately 75% of residences have water lines connected. However, potable water is collected in containers. Approximately 50% of homes have sewer lines connected.	Lines are connected to about 90% of homes and residences.
Ba'quba	500,000	\$3,500,000	\$7.00	The city pumps river water to the treatment facilities and then into the city via main water lines. Approximately 90% of Ba'quba has access to water.	The grid is not connected to most of the homes.
North Babil	320,000	\$1,800,000	\$5.63	Water lines are connected to about 25% of homes and businesses.	Electrical distribution lines are connected to about 80% of homes and businesses.

Notes: Population estimates and water and electricity infrastructure reports are based on GRD's *Bi-Weekly Strategic Cities Report*, September 25, 2007. Although a city may report that 75% of homes have potable water lines connected, the United States is unable to measure how much potable water actually reaches Iraqis. Source: Budgeted amounts taken from IRMS CERP Excel Workbook, September 30, 2007.

TABLE 2.12

## KEY CERP PROJECTS

The **Fallujah wastewater system project** comprises the main trunk pipeline and collection systems, pump stations, a wastewater treatment plant, and outfall and collection systems in three areas of the city. The project, now 34% complete, has been delayed by a poor security environment and the lack of payment by the GOI. Planned for completion in April 2008, this project will potentially serve 228,000 people in Fallujah City.

The **Mussayib Electrical Network, Mussayib Tank Farm, and Mussayib Gas Plant's Life Support and Security Contract** has the potential to add 450 MW to the grid and provide petroleum refining capability directly supporting power generation in Iraq.<sup>47</sup> GRD reports that the contractor has experienced difficulty in gaining local support. Community leaders have disagreed with the contractor on key issues of electrical line routing.

SIGIR inspectors visited four CERP projects this quarter and found them in generally good condition. In Ninewa province, SIGIR looked at a \$1.4 million CERP project to construct an 11-km road from Showairrej to Tak Harb; it appeared well planned and executed. According to MNC-I, the road connects three villages that were previously cut off from one another.<sup>48</sup>

SIGIR inspectors also visited the CERP-funded Bartilla Booster Pump Station in Ninewa province. The objective of the Booster Pump Station project was to repair the pump station to an output rate of 200 cubic meters per hour, so that it could potentially serve 10,000 people.<sup>49</sup> SIGIR found that the booster pump, although

apparently in good condition, was not operating during the visit. For summaries of these inspections, see Section 3 of this Report.

## Multi-National Corps-Iraq (MNC-I)

MNC-I publishes *Money as a Weapon System* (MAAWS), a policies and procedures manual that directs program execution and establishes the goals for CERP funding. The most recent version of this handbook—issued in June 2007—includes updates to the CERP program.

CERP guidance directs U.S. military commanders to focus funds on projects that improve water and sanitation, electricity, and civic cleanup and that employ the most Iraqis over an extended period of time. Also, purchasing officers are encouraged to use local Iraqi firms to conduct CERP projects.

MAAWS notes that the CERP has added a micro-grant component, providing financial assistance grants—ideally under \$5,000—to Iraqi entrepreneurs who specifically support local electricity producers.

MNC-I reports that “measuring the effects of a CERP project is often complex, difficult, and accomplished differently by the various battle space commanders.” In some cases, it obtains feedback from local governments and tribal sheiks to assess whether CERP projects are meeting the original requirements.<sup>50</sup> Depending on the security situation, a USACE Reconstruction Liaison Team (RLT) may conduct assessments at the project sites. During missions, unit patrols assess neighborhoods and note “physical



and human indicators” of projects.<sup>51</sup> Civil affairs teams also interact with the population and attempt to gauge anecdotal evidence of project effects.

Of concern to SIGIR was MNC-I’s observation that, when site visits or a full-effects analysis are not possible, it relies “on good faith that the work has been completed.”<sup>52</sup>

Commanders view the CERP as a useful tool because it streamlines the contracting process. However, because the CERP includes thousands of small projects designed to provide immediate effect, quality assurance oversight of the program is less robust than with other reconstruction programs.

## SIGIR Oversight

Next quarter, SIGIR will release an audit of CERP projects valued over \$400,000. This review will also address sustainment. CERP guidance covering standards of operation does not specifically address sustainment.

SIGIR previously identified the requirement for Iraqi institutions and provinces to take responsibility for the maintenance and

continued operations of infrastructure projects. There has been a growing recognition that the GOI is not yet effectively addressing the challenge of the near- and long-term management and funding of sustainment.

SIGIR underscored that problem in its asset transfer audit last quarter. Consequently, an integral part of all current reconstruction efforts—including CERP—is ensuring that the Iraqis plan to sustain completed projects with the requisite financing.

The major subordinate commands (MSCs) have realized varying degrees of success in incorporating sustainment into the planning and execution of the CERP projects. When coordination occurs among the MSCs, provincial reconstruction team, local and national Iraqi governance, and other stakeholders occurs, sustainment usually is well addressed. But many challenges remain before the United States can be assured that its large capital investment in CERP projects will be effectively sustained as they transition to Iraq.



## ECONOMIC SUPPORT FUND (ESF)

Since 2003, the Congress appropriated more than \$3.272 billion to the Economic Support Fund (ESF)—a bilateral economic assistance account managed by DoS—for relief and reconstruction efforts in Iraq.

The total base and supplemental appropriations for each fiscal year has steadily increased since 2005. In FY 2004 and FY 2005, no funds were appropriated to the ESF for Iraq relief and reconstruction. This quarter, finalized FY 2007 Continuing Resolution (CR) levels included \$122.8 million for the ESF.<sup>53</sup>

Table 2.13 shows the timeline of ESF appropriations since 2003.

Appropriations to the ESF account for approximately 7% of the total U.S. funding for Iraq reconstruction. Figure 2.10 shows the status of 97% of the ESF,<sup>54</sup> including approximately \$312 million in expenditures.<sup>55</sup>

### Background

The ESF provides assistance to countries transitioning to democracy and supports the financing of economic stabilization programs

CONGRESSIONAL APPROPRIATIONS TO THE ECONOMIC SUPPORT FUND FOR IRAQ EFFORTS (BILLIONS)

U.S. FUND	PUBLIC LAW	APPROPRIATED
ESF FY 2003	P.L. 108-7	\$0.040
ESF FY 2003 Supplemental	P.L. 108-11	\$0.010
ESF FY 2006 Appropriations for DoS	P.L. 109-102	\$0.060
ESF FY 2006 Supplemental	P.L. 109-234	\$1.485
ESF FY 2007 Supplemental	P.L. 110-28	\$1.554
ESF FY 2007 Continuing Resolution		\$0.123
Total		\$3.272

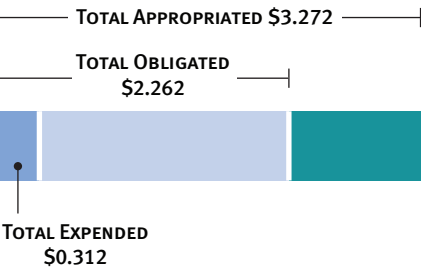
Note: Numbers are affected by rounding.

TABLE 2.13

Figure 2.10

STATUS OF ESF FUNDS

\$ Billions  
Sources: ITAO, Response to SIGIR Data Call (10/15/2007); IRMS, ESF Cost to Complete (10/5/2007); USAID, Response to SIGIR Data Call (10/17/2007)



Notes:  
1. Numbers are affected by rounding.  
2. Funding details for approximately \$0.06 billion of FY 2006 DoS budget appropriations and \$0.033 billion in FY 2006 Supplemental allocations were unavailable.

throughout the world.<sup>56</sup> In Iraq, the ESF is used to build on several IRRF projects—mainly in economic reform, business development, and democracy-building—and supports new projects to improve political and economic governance, sustain infrastructure, develop capacity, and strengthen essential services.

Several ESF programs are managed through interagency agreements (IAAs) that fully obligate the affected funds at the time of the agreement. For purposes of this section, SIGIR considers ESF “obligations” for IAAs as funds “committed.” This comports with SIGIR’s practice to report only the funds that have been actually awarded by contract as “obligated.”<sup>57</sup>

DoS has executed large-scale IAAs with GRD and DoJ. Table 2.14 shows the dollar value of the IAAs for FY 2006 Supplemental funds. DoS also executed an IAA with GRD for \$100 million in

FY 2007 Supplemental funds for the Provincial Reconstruction Team/Provincial Reconstruction Development Council (PRT/PRDC) program.<sup>58</sup>

DoS manages ESF project identification, priorities, requirements, and funding; USAID, GRD, and other agencies execute the projects.<sup>59</sup> Programs managed by GRD and USAID—the primary executing agencies of the ESF—received approximately 90% of ESF allocations.<sup>60</sup> Table 2.15 shows the ten firms awarded the largest ESF contracts from these two implementing agencies.

A USAID/Iraq audit released on July 31, 2007, found that one of the largest ESF contractors, Research Triangle Institute (RTI), had not been submitting regular implementation and performance plans. Thus, measuring outputs for the contract was difficult.<sup>61</sup> Since the release of the audit, RTI has agreed to comply with the contract requirements for implementation plans.

#### ESF INTERAGENCY AGREEMENTS FOR DoS – FY 2006 SUPPLEMENTAL (MILLIONS)

PROGRAM	AGENCY	FY 2006 SUPPLEMENTAL FUNDS	CONTRACTED AMOUNTS	EXPENDED AMOUNTS
PRT/PRDC	GRD	\$315	\$191	\$20
Infrastructure Security Protection	GRD	247	106	13
O&M Sustainment	GRD	285	259	50
Capacity Development and Technical Training	GRD	60	45	13
Regime Crimes Liaison Office	DoJ	33	*	15
<b>Totals</b>		<b>\$940</b>		<b>\$111</b>

Sources: ITAO, response to SIGIR data call, October 8, 2007. Contracted Amounts and Expended Amounts: IRMS, ESF Cost to Complete, October 5, 2007; ITAO, response to SIGIR data call, October 15, 2007.

Note: Numbers are affected by rounding.

\*The contract award amounts for the Regime Crimes Liaison Office program were not available to SIGIR at the time of publication.

TABLE 2.14

RTI submitted a quarterly budget by activity on September 17, 2007.<sup>62</sup>

### FY 2006 SUPPLEMENTAL

Approximately 93% of appropriations to the ESF are contained in supplemental funding bills. The initial allotment of FY 2006 Supplemental funds took 85 calendar days to get to USAID-Iraq, and up to 167 calendar days to support DoS field activities that were implemented in Iraq by the DoJ, GRD, and ITAO (formerly IRMO).<sup>63</sup> A SIGIR review found that, on average, it takes much longer to move ESF funds from appropriation to field activities than for CERP (35 days) and ISFF (29 days) funds.<sup>64</sup>

Figure 2.11 is a flowchart from SIGIR, the “Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and

Reconstruction,” released on July 27, 2007. It shows the desultory flow of ESF funds appropriated in the FY 2006 Supplemental.

### FY 2007 SUPPLEMENTAL

The Congress appropriated \$1.554 billion of FY 2007 Supplemental funds to the ESF. Under P.L. 110-28, signed by the President in May 2007, ESF FY 2007 funds can be obligated or expended when the President certifies that Iraq has made satisfactory progress on 18 specific benchmarks.<sup>65</sup> The bill includes a waiver provision that releases funds from the requirement if the President submits a written certification to the Congress, including a justification for the waiver and a detailed benchmark assessment report.<sup>66</sup>

The President has submitted two benchmark assessment reports (July 12, 2007, and September

#### TOP TEN ESF CONTRACTORS (MILLIONS)

CONTRACTOR	PARTNERING AGENCY	OBLIGATED
International Relief and Development	USAID	\$489 <sup>a</sup>
Research Triangle Institute (RTI)	USAID	245
Management System International	USAID	200
CHF International	USAID	140
Development Alternatives, Inc.	USAID	130
BearingPoint, Inc.	USAID	70
Louis Berger Group	USAID	64
Wamar International	GRD	58
Parsons Brinckerhoff	GRD	58
Iraqi Contractor – 4767	GRD	54
<b>Total</b>		<b>\$1,508</b>
<b>Percentage of Total ESF Appropriations</b>		<b>46.1%</b>

Note: USAID signs contracts/agreements, which can be funded from one or more funding accounts. This table includes contractors/grantees that received FY 2006 Supplemental and FY 2007 Supplemental funds for USAID contractors. GRD contractors received FY 2006 Supplemental funds.

<sup>a</sup> Approximately \$25 million in FY 2007 CR funds was programmed to the Community Stabilization Program, which is executed by International Relief and Development. ITAO, response to SIGIR data call, October 15, 2007.

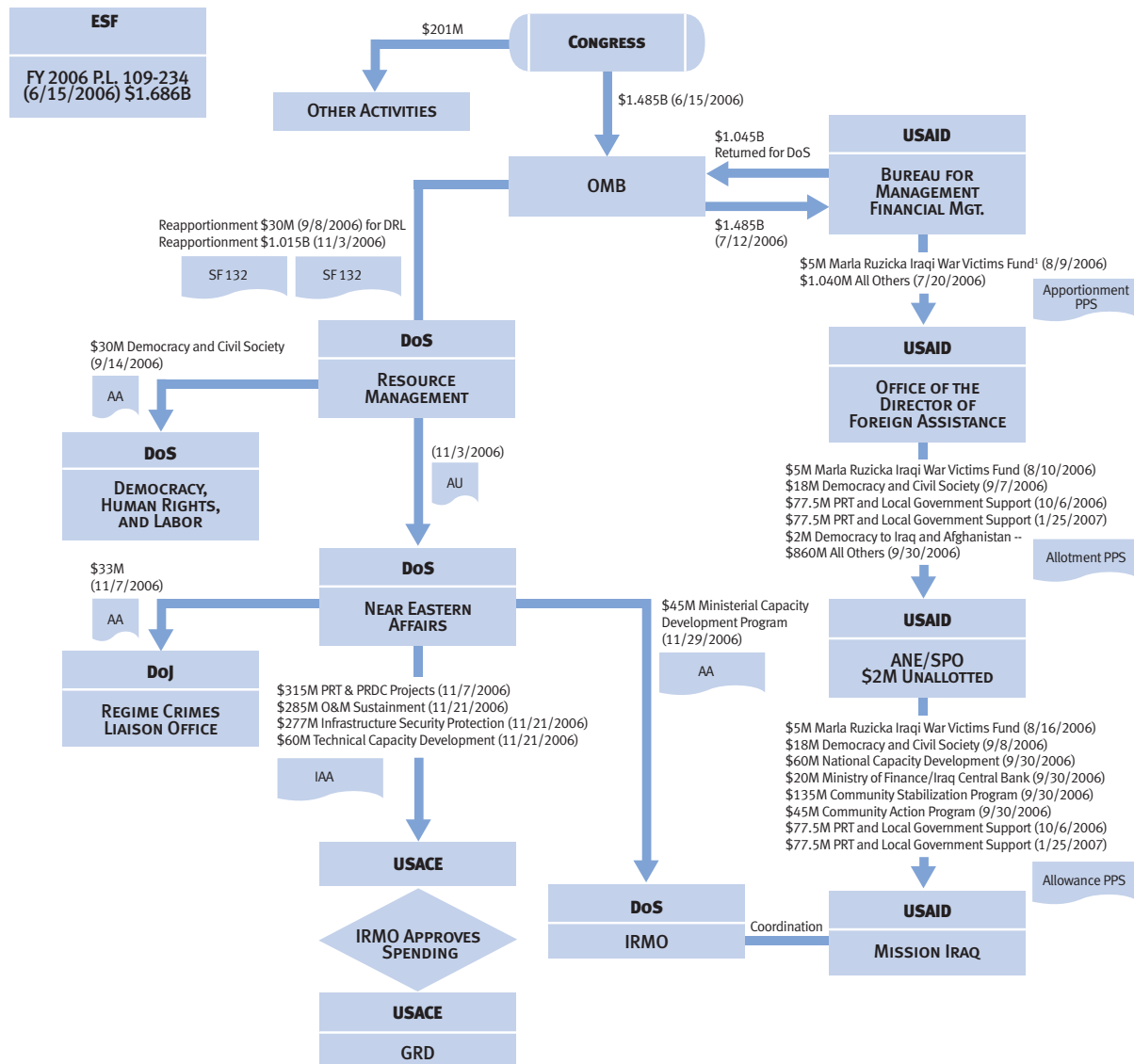
Source: USAID, response to SIGIR data call, October 17, 2007; GRD, response to SIGIR data call, October 1, 2007.

TABLE 2.15

Figure 2.11

**FLOW OF ECONOMIC SUPPORT FUND (ESF), P.L. 109-234**

Sources: DoS: Iraq Reconstruction Management Office, Bureau of Resource Management, Bureau of Near Eastern Affairs; and the Bureau of Democracy, Human Rights and Labor; U.S. Army Corps of Engineers Gulf Region Division; U.S. Agency for International Development; and the Office of Management and Budget



AA	Advice of Allotment
ANE/SPO	Bureau for Asia and the Near East/Strategic Planning & Operations
AU	Allotment Authority
B	Billion
DRL	Democracy, Human Rights, and Labor
IAA	Interagency Agreement
IRMO	Iraq Reconstruction Management Office (former name of ITAO)
DoJ	Department of Justice
M	Million
PPS	Posted in Phoenix Accounting System
PRDC	Provincial Reconstruction Development Committee
PRT	Provincial Reconstruction Team
SF 132	Apportionment and Reapportionment Schedule

Notes:

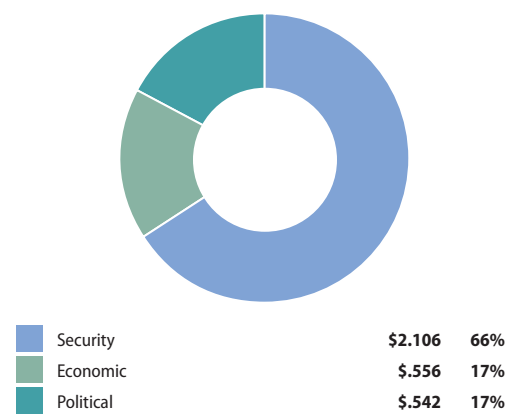
1. Marla Ruzicka Iraqi War Victims Fund was merged with IRRF funds on September 24, 2006.
2. Dates presented are the initial transmittal dates of funds apportioned or allotted for each action and do not necessarily represent an action for the total amount of funds.
3. By Executive Order, on May 8, 2007, the President created ITAO as the successor organization to the Iraq Reconstruction Management Office.

14, 2007) to the Congress, and the remaining FY 2007 Supplemental appropriations, totaling \$1.554 billion,<sup>67</sup> have been released by waivers. Approximately \$1.045 billion (includes FY 2007 CR funds) has been obligated, and about \$5 million has been expended.<sup>68</sup>

Funding Uses

ESF program funding is aligned under security, economic, and political tracks. Programs in the security track have received the largest percentage of ESF allocations, as shown in Figure 2.12.

Figure 2.12  
**ALLOCATIONS OF ESF FUNDS BY TRACK**  
\$ Billions, % of \$3.204 Billion  
Source: ITAO, Response to SIGIR Data Call (10/15/2007); USAID, Response to SIGIR Data Call, (10/17/2007)



Notes:  
1. Numbers are affected by rounding.  
2. The total amount represented by the pie chart is approximately 98% of all appropriated ESF funds for Iraq totalling \$3.272 billion. Program and track-level details were not available for \$50 million in FY 2003 ESF funds and approximately \$20 million in FY 2007 CR funds.

SECURITY TRACK






Programs in the security track aim to strengthen the links between the GOI and local communities and to improve the capacity of provincial governments to deliver essential services. Table 2.16 provides information on projects that have been funded by the ESF, including the percentage of funds allocated out of the security track.<sup>69</sup>

Funds from the ESF support the overall PRT program. Three PRT programs have been allocated approximately 56% of total ESF security track funding:

- PRT/PRDC program—\$790 million
- PRT Local Governance Program (LGP)—\$245 million
- Quick Response Fund (QRF)<sup>70</sup>—\$125 million


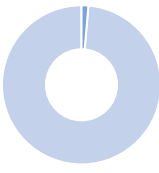
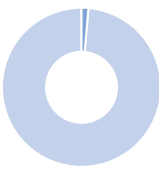
The ESF-funded **QRF program** is a new initiative implemented by the Chief of Mission to provide PRTs with a CERP-like funding source to execute high-value, quick-turnaround projects. The ISFF funds a similar rapid response program specifically for quick impact projects for the Iraqi Security Forces; this program is different than the ESF-funded QRF, which supports PRTs. DoS has allocated an initial \$200,000 in QRF to each PRT.<sup>71</sup> QRF awards can be provided through micro-purchase agreements, grants, or standard procurements.

## STATUS OF ESF PROGRAMS IN THE SECURITY TRACK (\$2.106 BILLION)

ESF PROJECT	% OF SECURITY TRACK	IMPLEMENTER	DESCRIPTION AND STATUS
PRT/PRDC PROJECTS	 38%	GRD \$315 million FY 2006 Supplemental \$475 million FY 2007 Supplemental  <b>TOTAL: \$790 MILLION</b>  Source: GRD, response to SIGIR data call, October 18, 2007.	<p><b>DESCRIPTION:</b> Small projects intended to improve provincial government capacity to provide essential services. PRTs work with Iraqi-led PRDCs to compile a list of projects for approval by the U.S. Embassy.</p> <p><b>STATUS:</b> For the FY 2006 Supplemental, PRDCs have submitted a list of projects. The National Embassy Team has approved 201, and 178 have been awarded at a cost of \$242.8 million, as reported by GRD on October 18, 2007. Per the provinces' decisions, some projects were dropped, but six more were added.</p>
PRT LOCAL GOVERNANCE PROGRAM	 12%	USAID \$155 million FY 2006 Supplemental \$90 million FY 2007 Supplemental  <b>TOTAL: \$245 MILLION</b>  Sources: DoS, <i>Section 2207 Report</i> , August 28, 2007; USAID, response to SIGIR data call, October 1, 2007.	<p><b>DESCRIPTION:</b> Complements PRT efforts by facilitating advocacy efforts on policy reform, transferring functional control of activities from national to local governments, and strengthening provincial capacity to deliver essential services.</p> <p><b>STATUS:</b> All of the \$155 million from FY 2006 Supplemental funds were carried over and obligated in FY 2007; of this amount \$143.4 million is expended.</p>
PRT/QRF	 6%	USAID (80%) and DoS (20%) \$125 million FY 2007 Supplemental  <b>TOTAL: \$125 MILLION</b>  Source: OPA, Provincial Reconstruction Team Portal, "Guidelines for Administration of the PRT/ePRT Quick Response Fund Program," August 12, 2007; USAID, response to SIGIR data call, October 17, 2007.	<p><b>DESCRIPTION:</b> Mechanism for PRTs and ePRTs to support local neighborhood and government officials or members of community-based organizations, as well as small project needs for the provinces.</p> <p><b>STATUS:</b> Program guidelines finalized. The Embassy committee to review grants has been established; first grants have been disbursed to PRTs/ePRTs in Anbar and Basrah. All but one PRT have been identified as cash handlers. USAID received its first ESF allocation for QRF (\$25 million) in August 2007.</p>
COMMUNITY STABILIZATION PROGRAMS IN STRATEGIC CITIES	 24%	USAID \$135 million FY 2006 Supplemental \$354 million FY 2007 Supplemental \$25 million FY 2007 CR  <b>TOTAL: \$514 MILLION</b>  Sources: DoS, <i>Section 2207 Report</i> , August 28, 2007; USAID, response to SIGIR data call, October 1, 2007.	<p><b>DESCRIPTION:</b> Short-term projects in neighborhoods and districts that employ Iraqi youth in public works, employment generation, business development and training, and in programs that serve other youths.</p> <p><b>STATUS:</b> The weekly average employment level was 73,926 for week ending September 15, 2007; 10,026 Iraqis have graduated from vocational skills training programs supported by Community Stabilization Programs.</p>
INFRASTRUCTURE SECURITY PROTECTION	 12%	GRD \$247 million FY 2006 Supplemental  <b>TOTAL: \$247 MILLION</b>  Sources: DoS, <i>Section 2207 Report</i> , August 28, 2007; GRD, response to SIGIR data call, October 18, 2007.	<p><b>DESCRIPTION:</b> Projects improving infrastructure in oil, water, and electricity sectors—such as security barrier protection, hardening of structures and plants, and implementation of controlled access facilities.</p> <p><b>STATUS:</b> As of October 15, 2007, 51 projects worth \$104.1 million have been awarded.</p>



### STATUS OF ESF PROGRAMS IN THE SECURITY TRACK (\$2.106 BILLION)

ESF PROJECT	% OF SECURITY TRACK	IMPLEMENTER	DESCRIPTION AND STATUS
COMMUNITY ACTION PROGRAM	 6%	USAID \$45 million FY 2006 Supplemental \$90 million FY 2007 Supplemental  <b>TOTAL: \$135 MILLION</b>  Sources: DoS, <i>Section 2207 Report</i> , August 28, 2007; USAID, response to SIGIR data call, October 1, 2007.	<b>DESCRIPTION:</b> Projects that strengthen links between the Iraqi government and local communities by facilitating community coordination with local and provincial governments and promoting transparency and local ownership of public goods.  <b>STATUS:</b> As of October 1, 2007, 78 projects were completed, benefiting 1,624,386 Iraqis, generating 11,168 short-term jobs and 149 long-term jobs (as of September 9, 2007), as reported by USAID for Community Action Program II.
IRAQI REFUGEES (JORDAN)	 1%	USAID \$30 million FY 2006 Supplemental  <b>TOTAL: \$30 MILLION</b>  Sources: ITAO, response to SIGIR data call, October 10, 2007.	<b>DESCRIPTION:</b> United Nations Education appeal aims to enroll an additional 150,000 Iraqi children in Jordanian and Syrian schools; total program funding is \$130 million, of which the U.S. contribution is \$30 million of ESF funds and \$9 million of Emergency Refugee and Migration Assistance funds.  <b>STATUS:</b> \$30 million of FY 2006 ESF funds was re-allocated from the Infrastructure Security Protection program to refugee and migration assistance for a back-to-school program for Iraqi refugees.
MARLA RUZICKA IRAQI WAR VICTIMS FUND (TRANSFERRED TO IRRF)	 1%	USAID \$5 million FY 2006 DoS Appropriations \$5 million FY 2006 Supplemental \$5 million FY 2007 Supplemental \$5 million FY 2007 CR  <b>TOTAL: \$20 MILLION</b>  Sources: IMF, "USAID: Assistance for Iraq," May 17, 2007, <a href="http://www.usaid.gov/iraq/">www.usaid.gov/iraq/</a> ; ITAO, response to SIGIR data call, October 10, 2007.	<b>DESCRIPTION:</b> Program aims to assist civilian victims of armed conflict; ensures that victims of conflict are specifically highlighted for funds to provide relief from severe suffering caused by conflict.  <b>STATUS:</b> ESF funds for this program were subsequently transferred to the IRRF. As they originated as ESF funds, they are included in the calculations for total ESF amounts provided for Iraq reconstruction.

Notes:

1. Sources for the programmed amounts are ITAO, response to SIGIR data call, October 15, 2007, and USAID, response to SIGIR data call, October 17, 2007. Sources included in the tables are relevant to that specific program description and/or program status.
2. Numbers affected by rounding.

TABLE 2.16

Table 2.17 shows the four tools available to organizations seeking funding from the QRF.

For projects valued at more than \$200,000, PRTs must submit funding requests to the Iraqi-led PRDCs through the **PRT/PRDC program**. The National Embassy Team (NET) approves projects and funds them from the \$315 million in FY 2006 Supplemental funds or the \$475 million in FY 2007 Supplemental funds allocated for this program.

As of October 2, 2007, there were 201 NET-approved PRDC projects; 69 of these have

started, using FY 2006 funds.<sup>72</sup> Figure 2.13 shows the geographic breakdown of PRDC-approved projects and started projects.

As of October 2, 2007, the PRDCs had selected a list of projects that consumed 97% of the \$315 million in FY 2006 allocated funding, and the NET had approved virtually all of them. Of these approved projects, approximately 78% have been awarded (an increase from the 41% awarded the previous quarter).<sup>73</sup>

Using FY 2007 funding, PRDCs have selected 162 projects, worth more than \$224 million. As

#### TOOLS TO IMPLEMENT THE QRF

TOOL	DESCRIPTION	AMOUNT DEPLOYABLE
Micro-purchase	Similar to the CERP process, micro-purchases would allow PRTs/ePRTs to procure items or services that PRT team leaders deem vital to their engagement with local and provincial communities.	< \$25,000
	No Embassy approval is required.	
Small Grant	"Notwithstanding" memo will allow for purchases up to \$25,000 and FAR flexibility.	< \$50,000
	One-time payment to an NGO/GOI to carry out activity	
	Tracked at the Embassy; implemented by PRT/ePRT	
	Post-review and authorization of all grants	
Grant	Grants over \$25,000 reviewed by Washington, D.C.	\$50,000 – \$200,000
	One-time payment to an NGO/GOI to carry out activity	
	Tracked at the Embassy; implemented and monitored by USAID	
Direct Procurement	OPA review and handoff to USAID	< \$200,000
	Activity complex enough that it requires a contract/lengthy statement of work; PRT team leaders approve purchase request	
	Procurement order plausibility and implementation means made by USAID, JCCI, or GSO—depending on core competency.	
	USAID implementer, DoD's Regional Contract Command (RCC) will handle monitoring component.	

Source: OPA, Provincial Reconstruction Team Portal, "Guidelines for Administration of the PRT/ePRT Quick Response Fund Program," August 12, 2007, p. 2.

TABLE 2.17

of October 2, 2007, the NET had approved 57 of the projects, valued at more than \$73 million.<sup>74</sup>

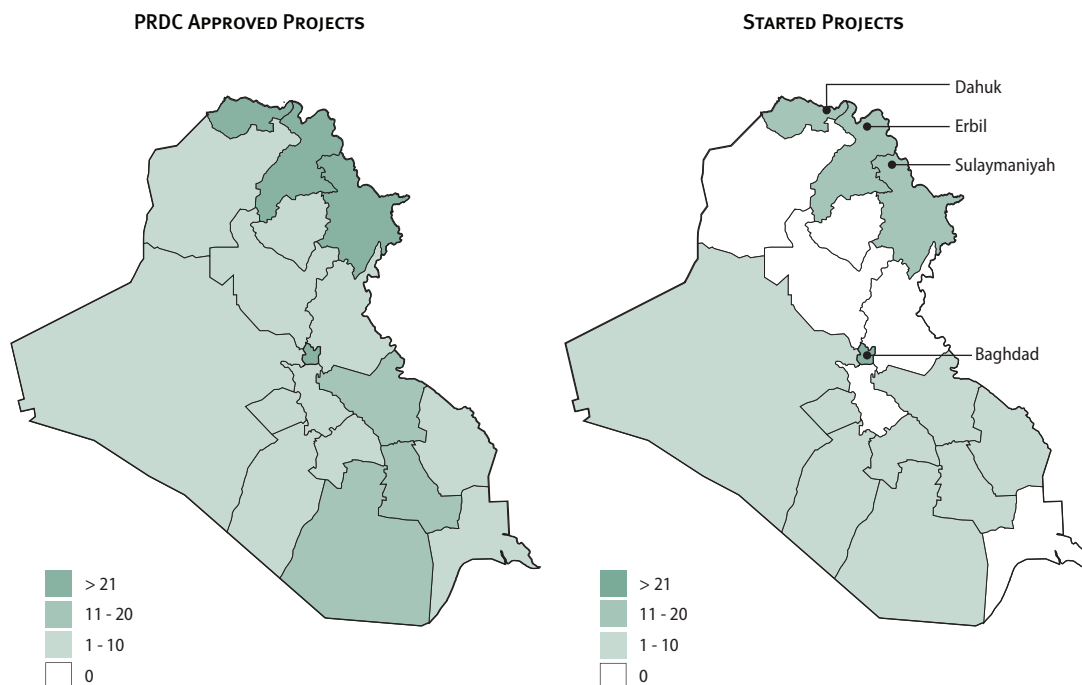
USAID's **Local Governance Program (LGP)** supports PRT efforts to build governance capacity. In addition to providing subject matter experts as part of the civilian surge, USAID's commitment to PRT staffing includes three full-time expatriate LGP personnel in each PRT.<sup>75</sup>

This quarter, LGP contractors met with the Strategic Planning Board in Babylon to revise the draft of the Provincial Development Strategy and to identify goals for Iraq's services sector.<sup>76</sup> USAID contributes to the work of PRTs through its LGP, Community Stabilization Program, and Community Action Program.

Figure 2.13

**ESF FY 2006 SUPPLEMENTAL PRDC PROJECTS BY GOVERNORATE**

Source: DoS, Response to SIGIR Data Call (10/12/2007)








**Notes:**

1. PRDC-approved means approved and forwarded for NET consideration.

2. Erbil, Sulaymaniyah, and Dahuk are combined under KRG, which has a total of 29 PRDC-approved projects and 18 started projects.

3. Baghdad has 68 PRDC-approved projects, and 20 have started.

## STATUS OF ESF PROGRAMS IN THE ECONOMIC TRACK (\$556 BILLION)

ESF PROJECT	% OF ECONOMIC TRACK	IMPLEMENTER	DESCRIPTION AND STATUS
O&M SUSTAINMENT	 51%	GRD \$285 million FY 2006 Supplemental <b>TOTAL: \$285 MILLION</b> Sources: DoS, <i>Section 2207 Report</i> , August 28, 2007; GRD, response to SIGIR data call, October 18, 2007.	<b>DESCRIPTION:</b> Providing in-plant services, consumables, and spare parts at major power plants, water and wastewater plants, and health, transportation, and communication facilities to assist Iraqis with sustainment efforts. <b>STATUS:</b> 47 projects worth \$279.2 million have been awarded to support O&M Sustainment, as reported by GRD on October 18, 2007.
INMA—PRIVATE SECTOR AGRIBUSINESS DEVELOPMENT	 17%	USAID \$55 million FY 2007 Supplemental \$39.9 million in FY 2007 CR <b>TOTAL: \$94.9 MILLION</b> Sources: USAID, response to SIGIR data call, October 1, 2007, and October 17, 2007; USAID, "USAID Awarded Inma Agribusiness Program in Iraq," May 16, 2007.	<b>DESCRIPTION:</b> Projects that aim to improve agricultural quality and productivity, restore soil and water management systems, increase agribusiness competitiveness, and increase domestic and foreign partnerships. <b>STATUS:</b> Currently in mobilization phase; all \$55 million of FY 2007 Supplemental funds have been obligated.
PLANT-LEVEL CAPACITY DEVELOPMENT & TECHNICAL TRAINING	 11%	GRD \$60 million FY 2006 Supplemental <b>TOTAL: \$60 MILLION</b> Sources: DoS, <i>Section 2207 Report</i> , August 28, 2007; GRD, response to SIGIR data call, October 11, 2007.	<b>DESCRIPTION:</b> O&M training programs for plant and technician-level operators at major electricity power plants, water and wastewater plants, and health, transportation, and communication facilities. <b>STATUS:</b> As of October 18, 2007, 34 projects, worth \$41.2 million, have been awarded to support technical training.
PROVINCIAL ECONOMIC GROWTH	 11%	USAID \$44.9 million FY 2007 Supplemental \$14.6 million FY 2007 CR <b>TOTAL: \$59.5 MILLION</b> Sources: USAID, "Request for Proposals (RFP) No. 267-07-001," March 1, 2007; USAID, response to SIGIR data call, October 1, 2007.	<b>DESCRIPTION:</b> Follow-up program of IRRF-funded Izdihar; projects aimed at increasing access to finance and promoting growth for selected manufacturing and service sectors. <b>STATUS:</b> The Provincial Economic Growth (PEG) contract was awarded last quarter; project is delayed due to an award protest. Izdihar has been extended to March 2008 to ensure uninterrupted delivery of assistance. Of the \$59.5 million in ESF funds for this program, \$9.2 million from the FY 2007 Supplemental and \$14.6 million from the Continuing Resolution will be used for the continuation of the Izdihar Program.
TARGETED DEVELOPMENT PROGRAM	 10%	Chief of Mission \$57.4 million FY 2007 Supplemental <b>TOTAL: \$57.4 MILLION</b> Source: U.S. Mission Iraq, "Program Announcement: Targeted Development Program," September 10, 2007.	<b>DESCRIPTION:</b> A funding tool for non-governmental organizations (NGOs) to support economic, social, and governance initiatives in areas of conflict in Iraq; programs focus on conflict mitigation, building national unity, and other development efforts. <b>STATUS:</b> Program is in the start-up phase. As of September 10, 2007, U.S. Mission elements began submitting proposals. The Program Review Board will begin reviewing the initial round of proposals during the last week in September 2007.

## Notes:

- Sources for the programmed amounts are ITAO, response to SIGIR data call, October 15, 2007, and USAID, response to SIGIR data call, October 17, 2007. Sources included in the tables are relevant to that specific program description and/or program status.
- Numbers are affected by rounding.

TABLE 2.18

## ECONOMIC TRACK

Programs in the economic track promote economic development, capacity development, and operations and maintenance (O&M) sustainment. Table 2.18 provides information on programs that have been funded by the ESF, including the percentage of funds allocated out of the economic track.<sup>77</sup>

A new ESF project funded by the FY 2007 Supplemental, the **Provincial Economic Growth (PEG) program**, is a follow-on effort to the IRRF-funded Izdihar program. Completion of Izdihar was scheduled for September 30, 2007; however, the award of a contract for the PEG

program has been delayed since late July because of an unsuccessful protest from a bidder.<sup>78</sup> GAO dismissed the protest on the condition that USAID reevaluate the proposals for the PEG program. Reevaluation of the proposals is not likely to be resolved for several months. Thus, USAID has extended Izdihar through March 31, 2008, to continue support for Iraq's economic development.<sup>79</sup> ESF FY 2007 funds will support the continuation of Izdihar's efforts.

The largest program in the economic track is GRD's \$285 million **O&M Sustainment program**. Figure 2.14 shows a time series of the amounts awarded under the O&M sustainment

Figure 2.14

### O&M SUSTAINMENT PROGRAM AWARDS

\$ Billions, \$.285 Total ESF FY 2006 Supplemental Program Funding  
Source: IRMS (10/5/2007); GRD, Response to SIGIR Data Call (10/18/2007)

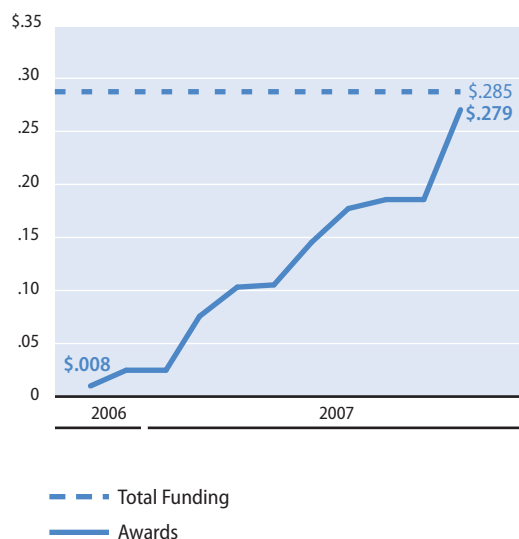
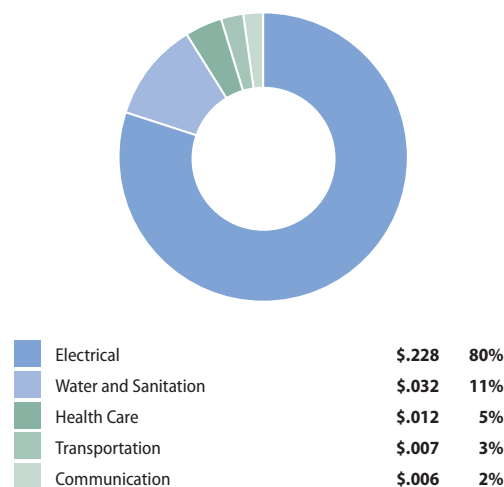


Figure 2.15

### O&M SUSTAINMENT PROGRAM - ALLOCATIONS BY SECTOR

\$ Billions, % of \$.285 Billion  
Source: GRD, "Program Review Board," p. 51 (9/7/2007)



Note:  
Numbers are affected by rounding.

program. Of the \$285 million available for the program, approximately \$279 million has been awarded.

O&M Sustainment funds are allocated to five sectors—electrical, health care, transportation, communication, and water and sanitation. Figure 2.15 shows the percentage of the total \$285 million provided to each of these sectors.

Projects supporting O&M and sustainment in the electricity sector received the largest allocation (80%) of the programmed amount. Of the \$228 million allocated to the electricity sector, approximately 94% has been obligated, as of October 18, 2007.<sup>80</sup> A recent project in this sector is the \$3 million O&M Generator Support Contract; the program provides preventative and corrective maintenance activities for 175 emergency generators in Iraq.<sup>81</sup>

These are examples of completed GRD electrical O&M Sustainment projects:<sup>82</sup>

- **Renovation of Project Phoenix III Shuaili Unit B Gas Turbine (\$2.56 million)** was completed on October 11, 2007, and the project awaits an acceptance letter from the Ministry of Electricity.
- **Doura 5 Maintenance Oversight and Maintenance Electrical Support (\$4.2 million)** was completed on September 9, 2007, and the facility has been turned over to Iraq's Ministry of Electricity.

Last quarter, SIGIR issued an inspection of the Doura Power Station Units 5 and 6. U.S. funds—primarily through \$90 million awarded to Bechtel—had paid for the repair of the two

power-generating units; however, the Iraq Ministry of Electricity failed to sustain them. SIGIR inspectors noted a need for the Ministry of Electricity's O&M practices to improve and that the ministry frequently improperly operated and poorly maintained equipment, increasing the likelihood of equipment failure.<sup>83</sup>

## POLITICAL TRACK



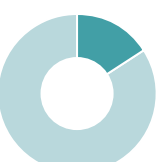
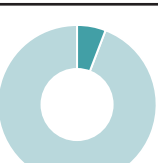
Programs in the political track help GOI strengthen core ministry functions and support governance and democracy-building efforts.

Table 2.19 provides information on projects that have been funded by the ESF, including a percentage of funds allocated out of the political track.<sup>84</sup>

The **Iraq Financial Management Information System (IFMIS)** is a U.S.-funded effort that aims to enable the GOI to have real-time budget reporting and management across spending agencies. The project began under USAID's **Economic Governance II (EG II)** program, which was funded by the IRRF and continues with ESF monies. Available information shows that the system development and implementation costs are about \$38 million.<sup>85</sup> However, progress on the project has halted:<sup>86</sup>

- May 2007—The work stopped on the budget and procurement models after key IFMIS team members were kidnapped.
- July 2007—The U.S. Embassy suspended the IFMIS project pending clarification of GOI support for the effort.
- August 2007—As part of a World Bank assessment of the IFMIS, a survey was

## STATUS OF ESF PROGRAMS IN THE POLITICAL TRACK (\$5423 BILLION)

ESF PROJECT	% OF POLITICAL TRACK	IMPLEMENTER	DESCRIPTION AND STATUS
CAPACITY DEVELOPMENT	 45%	ITAO (18%), USAID (82%) \$105 million FY 2006 Supplemental \$140 million FY 2007 Supplemental  <b>TOTAL: \$245 MILLION</b>  Sources: DoS, <i>Section 2207 Report</i> , August 28, 2007; USAID, response to SIGIR data call, October 17, 2007.	<b>DESCRIPTION:</b> Projects that strengthen leadership capacity of key government offices, assist with budget execution, improve delivery of essential services, and build capacity of the GOI to manage training programs to build key public administration functions.  <b>STATUS:</b> ITAO has obligated \$11.9 million for strengthening leadership capacity, \$19.5 million for budget execution assistance, and \$14.6 million to strengthen service delivery to ministries. USAID's cumulative number of enrollees in ministry training programs was 1,125. USAID's National Capacity Development program—in its second phase—has awarded 81 scholarships.
DEMOCRACY AND CIVIL SOCIETY	 33%	USAID (50%), DRL (50%) \$56 million FY 2006 Budget \$50 million FY 2006 Supplemental \$67.6 million FY 2007 Supplemental \$2.5 million FY 2007 CR  <b>TOTAL: \$176.1 MILLION</b>  Sources: DoS, <i>Section 2207 Report</i> , August 28, 2007; USAID, response to SIGIR data call, October 1, 2007.	<b>DESCRIPTION:</b> Projects that support the Council of Representatives democracy-building efforts and support women and minority participation in the political process.  <b>STATUS:</b> IFES, which continues to support election activities, received 50% of FY 2007 Supplemental funding for this program; the other half will be programmed as the provincial elections draw nearer.
ECONOMIC GOVERNANCE II POLICY & REGULATORY REFORMS	 16%	USAID \$20 million FY 2006 Supplemental \$50 million FY 2007 Supplemental \$18.2 million FY 2007 CR  <b>TOTAL: \$88.2 MILLION</b>  Sources: USAID, "USAID Award Economics Contract in Iraq," September 20, 2004; USAID, response to SIGIR, October 1, 2007; DoS, <i>Section 2207 Report</i> , August 28, 2007.	<b>DESCRIPTION:</b> Projects that assist the GOI in reforming tax, fiscal, monetary, and customs policies and build the capacity of the Central Bank of Iraq; assist Ministry of Finance in modernizing banking sector, compliance with the SBA, and promoting private sector-led growth in Iraq.  <b>STATUS:</b> The IFMIS project was suspended by the U.S. Embassy in July 2007. Additional efforts include assisting the GOI in completing the census of all public service employees; the survey will be collected by the end of 2007. Assisted the GOI to implement fiscal reform initiatives, overhauling the Iraqi tax system, strengthening Iraq's tax and customs authorities, and completing the 2007 Charts of Accounts in accordance with IMF recommendations.
REGIME CRIMES LIAISON OFFICE	 6%	NEA, DoJ \$33 million FY 2006 Supplemental  <b>TOTAL: \$33 MILLION</b>  Source: ITAO, response to SIGIR data call, October 15, 2007.	<b>DESCRIPTION:</b> Ensures the security and safety of witnesses and victims of crimes under investigation by the Iraqi High Tribunal.  <b>STATUS:</b> Approximately \$15.14 million is expended of the \$33 million programmed amount; the program assisted the tribunal in submission of materials for the Anfal trial.

## Notes:

1. Sources for the programmed amounts are ITAO, response to SIGIR data call, October 15, 2007, and USAID, response to SIGIR data call, October 17, 2007. Sources included in the tables are relevant to that specific program description and/or program status.
2. Numbers are affected by rounding.

TABLE 2.19

conducted of GOI officials to obtain views of stakeholders on aspects of the IFMIS arrangement.

In a letter report released this quarter, SIGIR provided a preliminary assessment of IFMIS relative to the five preconditions—clear commitment/ownership, reform-ready preconditions, sound project design, capable project management, and adequate resources—identified by the IMF for the successful development of a financial management system in Iraq. For a summary of SIGIR's letter report, see Section 3 of this Report.

In addition to IFMIS, other components of the EG II program include capacity-building support to the Central Bank of Iraq (CBI), strengthening monetary policy, technical assistance on developing laws on bankruptcy and movable transactions, and advice on pensions and social safety reform.<sup>87</sup>

USAID and ITAO implement the ESF-funded **Capacity Development** programs, which account for approximately 45% of ESF funds in the political track. To implement capacity-building programs, USAID was allocated \$60 million (in FY 2006 Supplemental funds), focusing on long-term sustainment training, capacity building, and development of public administration functions.<sup>88</sup> ITAO's focus on immediate support to key ministries was funded by \$45 million.

USAID's National Capacity Development program—which was allocated \$140 million in FY 2007 Supplemental funds—is in its second phase with expanded involvement in executive branch and line ministries. Details on these efforts are provided in the Capacity Development section of this Report.



## IRAQ RELIEF AND RECONSTRUCTION FUND (IRRF)

On April 16, 2003, the Congress passed P.L. 108-11, establishing the Iraq Relief and Reconstruction Fund (IRRF 1). The Congress authorized five agencies to use the \$2.475 billion in IRRF 1: DoD, DoS, USAID, the Department of Treasury, and the U.S. Trade and Development Agency.

In November 2003, the Congress provided a second appropriation to the IRRF (IRRF 2), funding an additional \$18.44 billion for relief and reconstruction in Iraq.

### Status of Funds

As of September 26, 2007, SIGIR found that an estimated 9% of the IRRF 1 (\$243 million) is still listed as unobligated. ITAO's Office of the CFO responded that \$184 million of unobligated IRRF 1 funds were used to directly reimburse DoS for reconstruction costs incurred before the

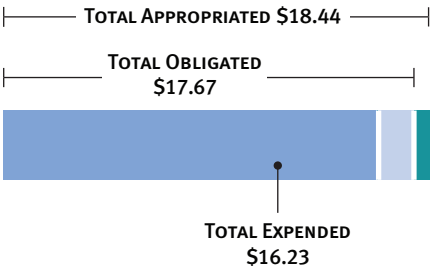
Congress appropriated funds to IRRF 1. Thus, less than \$60 million of IRRF 1 funds have yet to be obligated.<sup>89</sup> More than \$300 million of IRRF 1 dollars remain unexpended.<sup>90</sup>

Approximately 4% of the IRRF 2 (\$770 million) remains unobligated, and \$2.21 billion of IRRF 2 funds are unexpended.<sup>91</sup> Most of the unexpended IRRF funds are obligated for work in the electricity and water sectors.<sup>92</sup>

Figure 2.16 shows the status of the IRRF 2, in billions.

Although IRRF 2 expenditures continue to trend upward, as expected, the total amount still under contract has varied over time because of de-obligations and re-obligations. This quarter, \$130 million of the IRRF 2 was de-obligated because of project completions or obligation terminations, but it apparently has yet to be

Figure 2.16  
**STATUS OF IRRF 2 FUNDS**  
\$ Billions  
Sources: P.L. 108-106; DoS, *Iraq Weekly Status* (9/26/2007)



Note: Numbers are affected by rounding.

re-obligated.<sup>93</sup> De-obligated IRRF funds are returned to OMB to be re-apportioned.<sup>94</sup> Figure 2.17 shows obligations and expenditures of the IRRF 2, from July 2004 to July 2007.

## SIGIR Oversight

This quarter, SIGIR issued three audits related to the IRRF.

In the first, “Agency Management of the Closeout Process for IRRF Contracts,” SIGIR auditors found that the DoD and civilian agencies conducting contract activities in Iraq generally adhered to FAR guidelines, with priority given to financial closeout requirements, such as

settling final payments with the contractor and de-obligating unused contract funds. Historical practice indicates that these large contracts can take up to 15 years to close.<sup>95</sup>

SIGIR also reviewed “Controls over Unliquidated Obligations in the IRRF.” The purpose of this audit was to determine the amounts of unliquidated (or unspent) IRRF dollars still retained by DoD, DoS, and USAID and to assess whether adequate controls were in place to manage these unliquidated funds.

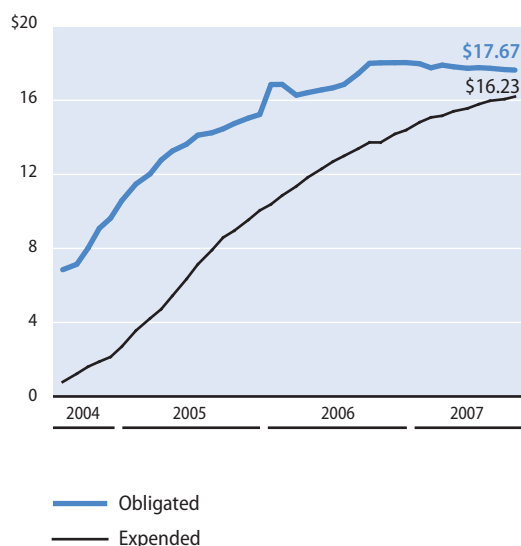
SIGIR auditors found that the agencies are monitoring their unliquidated obligations and conduct at least one annual review of these funds. However, SIGIR auditors also found that the rationale for maintaining certain obligations was not always clear. SIGIR oversight identified several million dollars that could be de-obligated because there had been virtually no activity under the contract for a significant period of time. SIGIR recommended that the agencies improve their documentation and tracking procedures.

Figure 2.17

### IRRF OBLIGATED AND EXPENDED

\$ Billions

Sources: IRMO/ITAO Weekly Status Reports



SIGIR recently released a “Review of the Use of Contractors in Managing IRRF Projects.” SIGIR auditors questioned the effectiveness of using contractors to manage other contractors because of weaknesses in contracting policies. Though each contractor was evaluated through an award-fee process, only limited performance data was documented. Work on these program management support contracts is nearly complete; thus, SIGIR auditors documented lessons learned to inform future contracting actions.<sup>96</sup> For more information on these audits, see Section 3 of this Report.

## Funding Uses

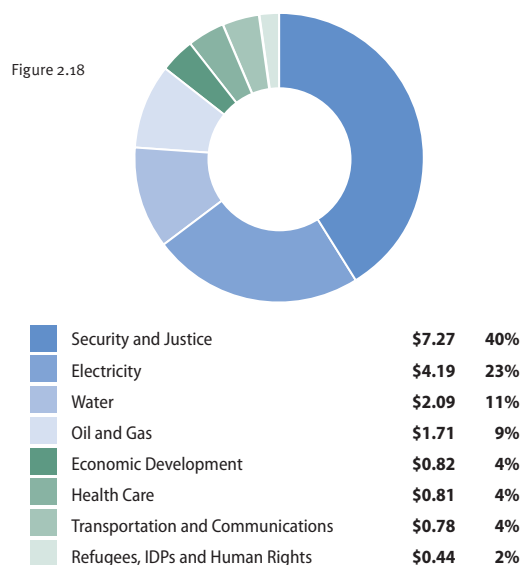
Of the \$18.44 billion in appropriated IRRF 2 funds, \$18.32 billion has been allocated to reconstruction sectors that SIGIR has been reporting on for over a year and a half. Figure 2.18 shows sector allocation of the IRRF 2. The security and justice sector received the largest share of IRRF 2 allocations, nearly 40% of the total. Electricity has the second largest allocation, with an estimated 23% of the IRRF.

Table 2.20 provides project updates by sector. For a cross-reference of how IRRF 2 sectors relate to the sectors defined by SIGIR in this Report, see Appendix D.

### IRRF 2 CURRENT ALLOCATIONS BY SECTOR

\$ Billions, % of \$18.32 Billion Allocated

Source: DoS, *Iraq Weekly Status* (9/26/2007)








#### Notes:




1. Numbers are affected by rounding.
2. See Appendix D for P.L. 108-106 cross-reference to SIGIR-defined sectors.
3. An additional \$0.21 billion allocated to Reconstruction Management.

# IRAQ RELIEF AND RECONSTRUCTION FUND

## IRRF 2 SECTOR UPDATE

SECTOR	% OF TOTAL IRRF 2 ALLOCATIONS	ALLOCATED (BILLIONS)	SECTOR UPDATE
SECURITY & JUSTICE	 39.6%	\$7.27	IRRF funding is being used to construct and renovate prison facilities. Currently, Nassriya, Phase 1 and Phase 2, and Fort Suse receive IRRF funding.
ELECTRICITY	 22.8%	\$4.19	This quarter, production averaged approximately 4,550 MW per day—Iraq's highest quarterly average since 2003.  At the Mussaib Power Station, a new gas turbine has come online.
WATER	 11.4%	\$2.09	SIGIR inspectors report that the execution of 21 contracts, valued at \$27 million, was not consistent with the original project objectives to provide the Mosul Dam and Ministry of Water Resources personnel with critically needed spare and replacement parts and the ability to conduct massive grouting or to fully implement enhanced grouting.  The Nassriya Water Project was completed and turned over to the Ministry of Public Works and Water.
OIL & GAS	 9.3%	\$1.71	Three key repair and reconstruction projects were completed this quarter: Natural Gas Liquids Plant in North Rumaila, LPG plant at Khor Zubair, and storage facilities at Umm Qasr.
ECONOMIC DEVELOPMENT	 4.4%	\$0.82	The Izdihar project has been extended until March 2008 because of a bid conflict with its successor, the Provincial Economic Growth (PEG) program.

## IRRF 2 SECTOR UPDATE

SECTOR	% OF TOTAL IRRF 2 ALLOCATIONS	ALLOCATED (BILLIONS)	SECTOR UPDATE
HEALTH CARE	 4.4%	\$0.81	Of the 142 funded PHCs, 80 have been completed, and 37 have been turned over to the Ministry of Health.  The Basrah Children's Hospital is 66% complete.
TRANSPORTATION AND COMMUNICATIONS	 4.2%	\$0.78	After many delays, the Roll On-Roll Off (RO-RO) Berth Project was completed this quarter.  The Nelcon Crane Project is currently 88% complete, but non-operational generators at the site present challenges to operation.
REFUGEES, IDPS, AND HUMAN RIGHTS	 2.4%	\$0.44	In the Human Rights sector this quarter, DoS started producing and disseminating the electronic newsletter, <i>Human Rights Defenders Network</i> (HRDN).  The IRRF has funded construction of 810 schools, providing classrooms for more than 323,000 students.

### Sources:

Allocations and Percentages: DoS, *Iraq Weekly Status*, September 26, 2007.

Security and Justice: INL, response to SIGIR data call, October 17, 2007.

Electricity: ITAO, *Daily Electricity Report*, July 1, 2007–September 30, 2007.

Water: Mosul Dam: SIGIR Inspection PA-07-105, "Relief and Reconstruction at the Mosul Dam," October 2007; Nassriya: ITAO, *Weekly Status Report*, September 11, 2007.

Oil and Gas: DoS, *Section 2207 Report*, July 2007.

Economic Development: USAID, response to SIGIR data call, October 1, 2007.

Health Care: GRD response to SIGIR data call, October 10, 2007; DoS, *Iraq Weekly Status*, October 10, 2007.

Transportation and Communications: GRD, response to SIGIR data call, October 9, 2007.

Refugees, Human Rights, and Education: DoS, *Section 2207 Report*, July 2007.

Note: Percentages may vary due to rounding; an additional \$210 million of the IRRF 2 was allocated to Reconstruction Management.

TABLE 2.20

Among contractors, Bechtel National received the most IRRF 2 funding—more than \$1.2 billion obligated, as of October 15, 2007. For more information, see SIGIR’s audit of this contract in the July 2007 Quarterly Report. For the top ten IRRF 2 contractors, see Table 2.21.

## Key U.S. Projects

According to ITAO, 44 IRRF 2 projects were scheduled for completion in September 2007, 56 in October, and 71 in November.<sup>97</sup> ITAO expects 65 more projects to be completed in the electricity sector before the end of 2007.<sup>98</sup>

This quarter, SIGIR inspectors visited the **Qudas Power Plant Turbine Restoration Project** (valued at \$90.6 million) and the **Qudas Power Plant Expansion Project** (valued at \$147.4 million), in south Baghdad.<sup>99</sup> SIGIR inspectors found that Qudas projects to restore

turbine units and expand electricity generation capacity were adequately designed and moving forward satisfactorily at the time of their assessment. SIGIR inspectors also determined that sustainability for Qudas turbine projects was adequately planned and well-addressed in the contracts or task orders.<sup>100</sup>

GRD turned over the **Nassriya Water Project** this quarter. Valued at \$276 million,<sup>101</sup> this water treatment facility is expected to serve more than 500,000 people in the Thi-Qar province.<sup>102</sup> The project had been delayed for several quarters because of an insufficient number of ministry-trained employees and inadequate power supplies.<sup>103</sup> Last quarter, SIGIR reported that the Nassriya Water Project was operating at 21% capacity.<sup>104</sup> SIGIR plans to inspect this project next quarter.

### TOP TEN IRRF 2 CONTRACTORS (\$ MILLIONS)

CONTRACTOR	OBLIGATED	EXPENDED
Bechtel National, Inc.	\$1,214	\$1,177
FluorAMEC, LLC	\$964	\$927
Parsons Global Services, Inc.	\$695	\$635
Parsons Iraq Joint Venture	\$581	\$573
Kellogg, Brown & Root Services, Inc.	\$568	\$541
Washington Group International	\$509	\$499
Development Alternatives, Inc.	\$440	\$436
Environmental Chemical Corporation	\$352	\$349
Anham Joint Venture	\$259	\$259
Symbion Power, LLC	\$251	\$158

Sources: Corps of Engineers Financial Management System, All Items Report for PMCON and All Items Report for PMNCN, October 1, 2007; USAID, *Activities Report* (10/15/2007).

Note: This list is produced by compiling contract-level obligation data provided by GRD and USAID only.

TABLE 2.21

## OTHER U.S. RELIEF AND RECONSTRUCTION FUNDS

In addition to the four main funding streams, the Congress appropriated more than \$5.012 billion for 28 other Iraq reconstruction activities. This section highlights funding for the largest of those activities:

- DoS Bureau of International Narcotics and Law Enforcement Affairs (INL)
- Migration and Refugee Assistance Fund
- Iraq Freedom Fund

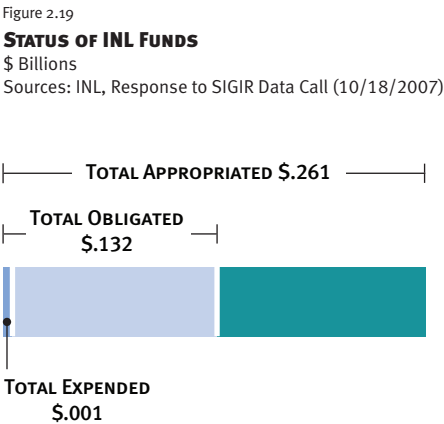
### INL

INL operates in many locations around the world, supporting programs in counter-narcotics, civilian police training, human trafficking, rule of law, and other areas related to international crime.<sup>105</sup> It began receiving funds for use in Iraq in 2003. INL carries out its mission in Iraq primarily through the use of contractors.

To date, INL has received more than \$2.5 billion from the IRRF, ISFF, and transfers from DoD, as well as \$261 million appropriated directly from the Congress.

### FUNDING USES

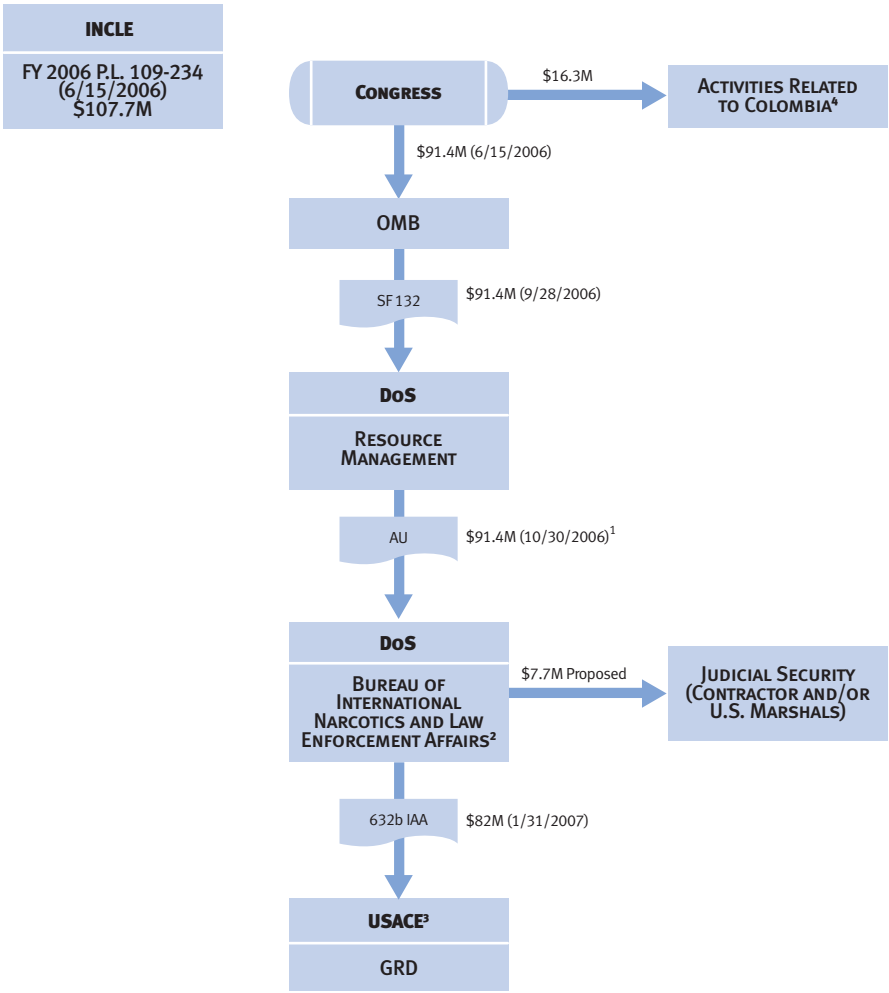
In Iraq, INL funds several activities in support of the civilian police, corrections, and the rule of law. For the status of INL funding, see Figure 2.19. Figure 2.20 is a flowchart from SIGIR, the “Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and Reconstruction,” released on July 27, 2007, showing the INL funding process.



Note: Numbers are affected by rounding.

Figure 2.20

**FLOW OF INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT (INCLE), P.L. 109-234**  
Sources: DoS Bureau of International Narcotics and Law Enforcement Affairs and Bureau of Resource Management, Office of Management and Budget, and P.L. 109-234



AU Allotment Agency  
IAA Interagency Agreement  
M Million  
SF 132 Apportionment and Reapportionment Schedule

Notes:  
1. Dates presented are the initial transmittal dates of funds apportioned or allotted for each action and do not necessarily represent an action for the total amount of funds.  
2. \$1.7M for Bureau program support costs.  
3. Funds have been obligated, as of May 23, 2007.  
4. These funds were rescinded.



### Police

Civilian police training programs in Iraq are run by the Civilian Police Assistance Training Team (CPATT), which was established in 2004<sup>106</sup> to “man, train, and equip the Iraqi Civilian Security Force.”<sup>107</sup> INL received more than \$2.3 billion from the IRRF, DoD, and ISFF for these initiatives.<sup>108</sup> DoD transferred about \$1.4 billion to INL to assist in the effort, particularly to provide police advisors.<sup>109</sup>

INL was originally tasked with supplying 690 International Police Liaison Officers, 192 International Police Trainers, and 143 Border Enforcement Advisors for the effort.<sup>110</sup> The number of requested Border Enforcement Advisors has since been reduced to 70.<sup>111</sup> For an expanded discussion of this program, see the Iraq Security Forces Fund section in this Report.

This quarter, SIGIR issued an interim review of INL’s contract with DynCorp for police training. SIGIR has not completed its review because INL did not have the information and documentation needed to identify what DynCorp provided under the contract and how it spent the money. Similar problems were identified in a July 2007 DoS OIG report and in a January 2007 report issued jointly by SIGIR and the DoS OIG.

INL has undertaken a number of improvement initiatives, and SIGIR temporarily suspended its work to give INL the time needed to implement them. In the meantime, SIGIR recommends that INL develop a coordinated and comprehensive corrective-action plan approved by the Assistant Secretary, INL.

### Corrections

The INL’s prison construction effort is a part of the corrections program. It chiefly aims to build high-security facilities for post-conviction prisoners but is also involved in building limited detention facilities for pre-trial detainees.<sup>112</sup>

INL has received more than \$203 million for corrections work in Iraq since 2003—approximately \$82 million appropriated directly to the construction effort.<sup>113</sup>

INL entered into an interagency agreement with USACE-GRD to construct and renovate prison facilities.<sup>114</sup> The work includes projects in Nassriya (Phase II), Chamchamal,<sup>115</sup> and Fort Suse.<sup>116</sup>

### Rule of Law

Since 2003, approximately \$300 million has been provided to support rule-of-law programs, \$137 million of which was appropriated directly to INL; INL has obligated \$26.6 million of this amount.<sup>117</sup>

The U.S. rule-of-law program also works to develop Iraq’s judicial capacity by providing security for judges, training judicial staff, and engaging Iraqi lawyers in professional capacity-building activities.<sup>118</sup> In a program managed by the U.S. Marshals Service, INL is providing secure housing for 40 judges and their families.<sup>119</sup>

Small and unarmed security details<sup>120</sup> and frequent travels to corrections facilities<sup>121</sup> contribute to judicial vulnerability. Since 2003, 33 judges—22 of them in Baghdad<sup>122</sup>—and 30 judicial bodyguards have been killed.<sup>123</sup>

The Inspector General met with judges in August during his trip to Iraq and learned that judicial bodyguards cannot get the Ministry of Interior to issue them permits for weapons. A senior judge in Baghdad reported to the IG that this greatly increases the vulnerability of all judges to intimidation and attack.

The problem of judicial security began to be addressed in April 2006, when Iraq's Chief Judge signed an order establishing the Judicial Protection Service (JPS) to improve judicial security. INL and the U.S. Marshals Service are helping create the JPS, which is modeled in part after the Marshals Service.<sup>124</sup> Although the Higher Judicial Council requested authorization to hire candidates for training in July 2007, it is still waiting for GOI approval.<sup>125</sup> An INL manager is finalizing a Statement of Work for bids to assist with policy development, construction of a training facility, and to train 1,000 Iraqis under the program.

INL has provided \$1.2 million through an interagency agreement with the Marshals Service to train 120 leadership officials in the United States.<sup>126</sup> INL plans to fund an additional \$10.8 million to establish a temporary training facility and to train JPS officers in Iraq.<sup>127</sup>

The United States and the GOI are taking steps to improve judicial infrastructure as part of the rule-of-law judicial security initiative.<sup>128</sup> Currently, there are 93 courthouses in Iraq. INL, through a partnership with the U.S. Marshals Service, plans to provide \$2.9 million in security upgrades to courthouses in Basrah, Mosul, Ba'quba, and Kirkuk.<sup>129</sup>

### **Detainees**

Iraqi detainee management remains a complicated issue confronting the rule-of-law community in Iraq. Facilities are overcrowded,<sup>130</sup> abuse is a problem,<sup>131</sup> and the juvenile population in the system has increased disproportionately.<sup>132</sup>

The United States and Iraq are taking steps to address these challenges, including building additional detention compounds, increasing the number of judges and judicial panels, tracking detainees,<sup>133</sup> and establishing an overarching Iraqi plan to improve detainee management.<sup>134</sup>

Although maintaining an accurate list of detainees has been difficult. On August 25, 2007, Iraq's Chief Judge ordered the Ministries of Interior, Defense, and Justice to develop a list of all detainees (along with the arrest date, penal code, and originating institution that charged them) in their custody.<sup>135</sup>

On September 20, 2007, Iraq's Prime Minister signed a plan to improve detainee conditions and processing. The plan, which was drafted and signed by the President/Chief Judge of Iraq's Higher Judicial Council, the Iraqi National Security Advisor, and the Deputy Prime Minister, provided 30 recommendations for the legal sector, the judiciary, and other ministry functions.<sup>136</sup> The plan was crafted from recommendations presented to the signing parties by the Embassy Rule of Law Coordinator and U.S. Embassy staff.<sup>137</sup> Table 2.22 briefly outlines the plan.

## IRAQI DETAINEE PLAN, SIGNED SEPTEMBER 20, 2007

SECTOR RESPONSIBILITIES	MAIN TOPICS
Legal 15 Recommendations	<ul style="list-style-type: none"> <li>• Develop a comprehensive detainee list by the Ministries of Justice, Interior, Defense, and Labor and Social Affairs by September 1, 2007.</li> <li>• Classify detainees by criminal, terrorist, or organized crimes, and juveniles must be separated from adults.</li> <li>• Activate the Rule of Law and Detention Follow-up Committee, which is directed to hold weekly meetings and submit monthly reports.</li> <li>• Provide adequate living conditions for detainees that will be reviewed by inspectors. All human rights violators are required to be punished.</li> <li>• Prohibit arrests without warrants; except for witnessed crimes or “public outbursts/ strikes.”</li> <li>• Task the Ministry of Labor and Social Affairs with keeping and developing reports on juvenile detainees.</li> <li>• Promptly release detainees within 48 hours of judicial order verification.</li> <li>• Prohibit investigators from attending judicial investigations in the presence of the detainee.</li> <li>• Provide sick detainees with medical care at assigned clinics.</li> </ul>
Judiciary 8 Recommendations	<ul style="list-style-type: none"> <li>• Need for defense lawyers to be present at trials.</li> <li>• Need for overtime work, if necessary, to complete cases.</li> <li>• Activate and possibly increase the number of judicial panels.</li> <li>• Improve coordination with the Ministry of Interior to expedite investigations or trials.</li> <li>• Train both judicial and police investigators to improve their skills.</li> <li>• Give “special interest and care” to cases involving senior citizens and juveniles.</li> </ul>
Other Ministries 7 Recommendations	<ul style="list-style-type: none"> <li>• Organize committees to oversee detainee management and reintegration into society.</li> <li>• Task the Ministries of Interior, Labor and Social Affairs, and Justice with improving detainee living conditions.</li> <li>• Task the Ministry of Health with providing medical and mental health screening.</li> <li>• Create a central office in the Ministry of Justice to track detainee information.</li> <li>• Work to complete cases of detainees held by the Multi-National Force-Iraq (MNF-I).</li> <li>• Develop a reeducation curriculum for detainees.</li> <li>• Assess the possibility of a special amnesty program, except for those accused of terrorist, organized, or integrity crimes.</li> </ul>

Source: GOI, “Plan: Dealing with the Problems of the Detainees,” September 20, 2007.

TABLE 2.22

Migration and Refugee Assistance

Established in 1962, the Migration and Refugee Assistance Fund provides U.S. support to international aid organizations.<sup>138</sup> The fund assists Iraqis as part of its aid to refugees around the world.<sup>139</sup>

On May 25, 2007, P.L. 110-28 allocated \$45 million to fund Migration and Refugee Assistance in Iraq.<sup>140</sup> This \$45 million is in addition to a \$20 million appropriation through the 2007 Foreign Assistance Continuing Resolution and \$14.4 million from the IRRF funds to aid Iraqi refugees in Jordan, Syria, and Lebanon.<sup>141</sup> These funds will provide refugee healthcare, education, shelter support, and relief commodities.<sup>142</sup> For more information about refugee assistance this quarter, see the Refugees, IDPs, and Human Rights section of this Report. Table 2.23 shows recent allocations to the Migration and Refugee Assistance Fund for use in Iraq.

Iraq Freedom Fund

On April 16, 2003, the Congress created the Iraq Freedom Fund (IFF) through P.L. 108-11, which provided \$15.6 billion of support for the Global War on Terror. GAO defines the IFF as “a special account providing funds for additional expenses for ongoing military operations in Iraq and those operations authorized by P.L. 107-40.”<sup>143</sup>

On May 25, 2007, P.L. 110-28 appropriated over \$355 million for the IFF. Of this amount, \$150 million has been designated for reconstruction efforts.<sup>144</sup> Of this \$150 million, \$100 million was assigned to Provincial Reconstruction Teams, and \$50 million was allocated for the Task Force To Improve Business and Stability Operations (TF-BSO). As of October 8, 2007, \$37 million of the TF-BSO funds had been obligated.<sup>145</sup> For more information on PRTs and TF-BSO, see the PRT and Economic Development sections in this Report.

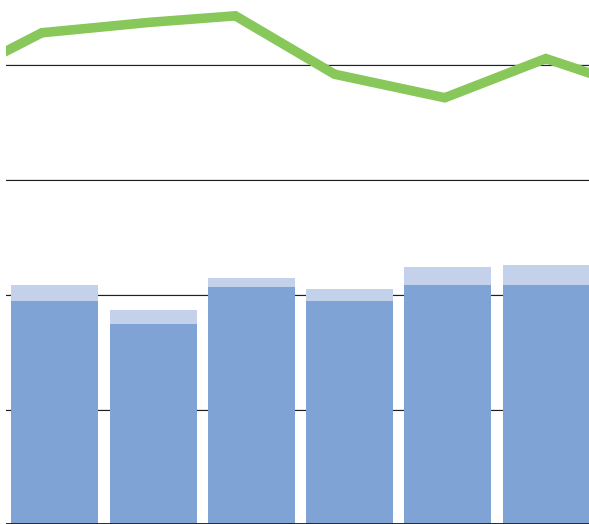
MIGRATION AND REFUGEE ASSISTANCE FUND WITHIN IRAQ

FISCAL YEAR	AMOUNT (IN MILLIONS)	FUND ORIGINS
FY 2004	\$105.0	IRRF
FY 2005	\$54.0	IRRF
FY 2006	\$27.0	IRRF
FY 2007	\$45.0	P.L. 110-28
FY 2007	\$8.6	Reallocation of Funds
FY 2007	\$14.4	Reallocation of Funds
FY 2007	\$20.0	2007 Foreign Assistance Continuing Resolution

Sources:  
FY 2004, 2005, 2006: DoS, *Section 2207 Report*, July 2006, p. I-115; DoS, *Section 2207 Report*, October 2006, p. I-104. FY 2007 \$45: P.L. 110-28 Conference Report, Report 110-107, April 24, 2007, p. 206, accessed at [www.thomas.gov](http://www.thomas.gov), October 17, 2007; FY 2007 \$8.6: DoS, *Section 2207 Report*, April 2007, p. I-86. FY 2007 \$14.4: DoS, *Section 2207 Report*, July 2007. FY 2007 \$20: OMB, response to SIGIR data call, September 26, 2007.

TABLE 2.23

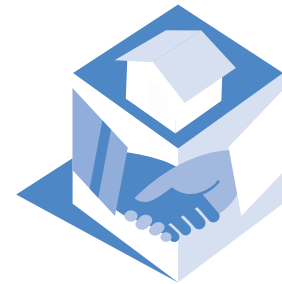
# IRAQ'S DEVELOPMENT



section

2b





## PROVINCIAL RECONSTRUCTION TEAMS

The Provincial Reconstruction Team (PRT) program is the most important governance capacity-building program currently managed by the United States in Iraq.

The program comprises integrated, multidisciplinary teams of Coalition civilian and military personnel who teach, train, and mentor provincial and local government officials in economic development, governance, rule of law, reconstruction, and political reconciliation.<sup>146</sup>

The PRT program's objectives include improving stability, increasing local institutional capacity, facilitating reconstruction activities, and executing strategic communications at the local and provincial levels.<sup>147</sup>

### Original PRT Mission

The PRT program was established in 2005 as a civil-military initiative overseen jointly by DoS and DoD. The program began with a plan to create ten province-based PRTs and seven Provincial Support Teams (PSTs). PSTs are collocated with the PRTs and travel to provinces to engage provincial and local officials and conduct capacity-building activities.

### PRT Mission Expansion

Along with the military surge, which began in January 2007, came a "civilian surge" that saw 15 new PRTs embedded in Army maneuver brigade combat teams (BCTs). The mission of embedded PRTs (ePRTs)—which are directed by BCT commanders—differs from the original PRTs, as does their employment doctrine. The ePRTs support field commanders by carrying out economic and capacity-building initiatives that complement BCT security operations. They are located primarily in the same battle space as the surge BCTs: Baghdad, Anbar, and Diyala provinces.

The ePRTs add a notable new dimension to the PRT program in that they primarily support counterinsurgency operations and will stand down or relocate as their respective BCTs are withdrawn. They do not chiefly aim at promoting capacity-building activities. Rather, they focus on activities that potentially will win the loyalties of local populations.

The expanded PRT program now comprises the 10 original PRTs, the 15 new ePRTs, and the 7 PSTs. Of the original 10 province-based PRTs, 7 are led by the United States, and 3 are led by Coalition partners. Of the 15 new U.S.-led ePRTs, 9 are located in Baghdad, 3 in Anbar, 1



Figure 2.21

**PROVINCIAL RECONSTRUCTION TEAM PROGRAM IN IRAQ**

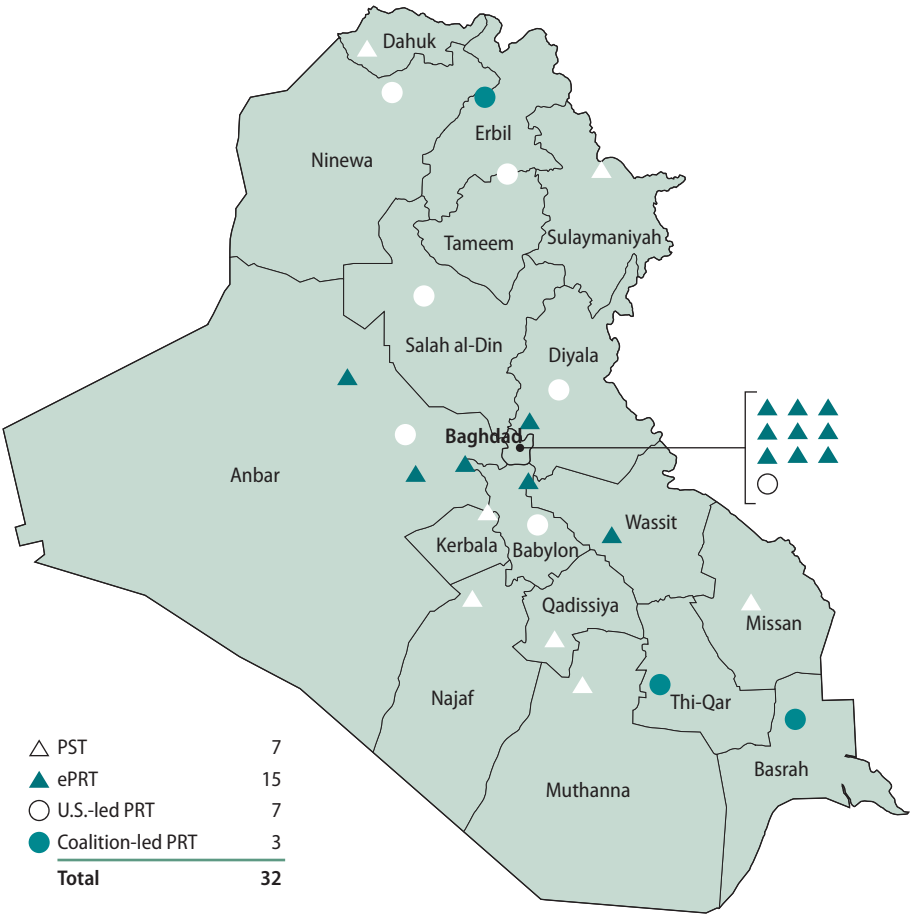
Source: SIGIR-07-015, "Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq" (October 2007)

in northern Babylon, 1 in southern Diyala, and 1 in Wassit province. Figure 2.21 shows the footprint of the expanded PRT program in Iraq.

**PRT Funding**

To date, almost \$2 billion has been appropriated for the PRT program, and nearly another billion has been requested.<sup>148</sup> PRT program activities receive support from the Economic Support Fund (ESF). Table 2.24 provides an overview of PRT funding, which has increased from \$700 million in FY 2006 to \$1.104 billion in FY 2007—an increase of nearly 58%.

GRD's PRT/PRDC program has consistently received most of the PRT allocations from each Supplemental. This program funds reconstruction projects that the Provincial Reconstruction Development Councils (comprised of local Iraqi officials) select and that are then approved by the National Embassy Team. For the percentage of each Supplemental provided to both operational and program-level funding, see Figure 2.22.



Note: Locations are approximate.





### U.S. SUPPORT FOR THE PRT PROGRAM (MILLIONS)

PRT FUNDING CATEGORY	FY 2006 SUPPLEMENTAL ENACTED	FY 2007 SUPPLEMENTAL ENACTED	TOTAL	FY 2008 BUDGET REQUESTED
Operational Funding	\$230 <sup>a</sup>	\$414	\$644	\$679
Program Funding from ESF				
PRT/PRDC Projects	315	475	790	160
PRT Local Governance Program	155	90	245	98
Quick Response Fund		125	125	
<b>Total ESF</b>	<b>470</b>	<b>690</b>	<b>1,160</b>	<b>258<sup>b</sup></b>
<b>Grand Total</b>	<b>\$700</b>	<b>\$1,104</b>	<b>\$1,804</b>	<b>\$937</b>

Source: DoS, reported in SIGIR Audit 07-015, "Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq," October 18, 2007; ITAO, response to SIGIR data call, October 18, 2007.

Notes:

<sup>a</sup>None of the operating funds from FY 2006 were obligated or expended in FY 2006; they were carried forward into FY 2007.

<sup>b</sup>Includes \$93 million in base agency funding and \$165 million in Global War on Terrorism (GWOT) funding.

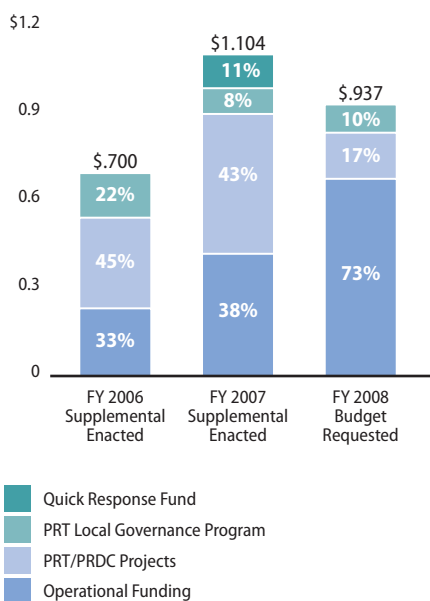
TABLE 2.24

Figure 2.22

### PROGRAM AND OPERATIONAL FUNDING FOR THE PRT PROGRAM

\$ Billions

Source: SIGIR Audit 07-015, "Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq," (October 2007); ITAO, Response to SIGIR Data Call (10/18/2007)





## PRT Staffing

During 2007, the number of PRT personnel has more than doubled. Just over a year ago, 238 individuals were staffing PRTs; now, more than 600 persons are deployed, and many more are en route or in the employment pipeline. The growth has been driven primarily by the creation of the 15 new ePRTs.

The PRT expansion has a three-phase staffing plan. Figure 2.23 shows an overview of the pro-

gram and the timeline for filling surge positions at the PRTs.

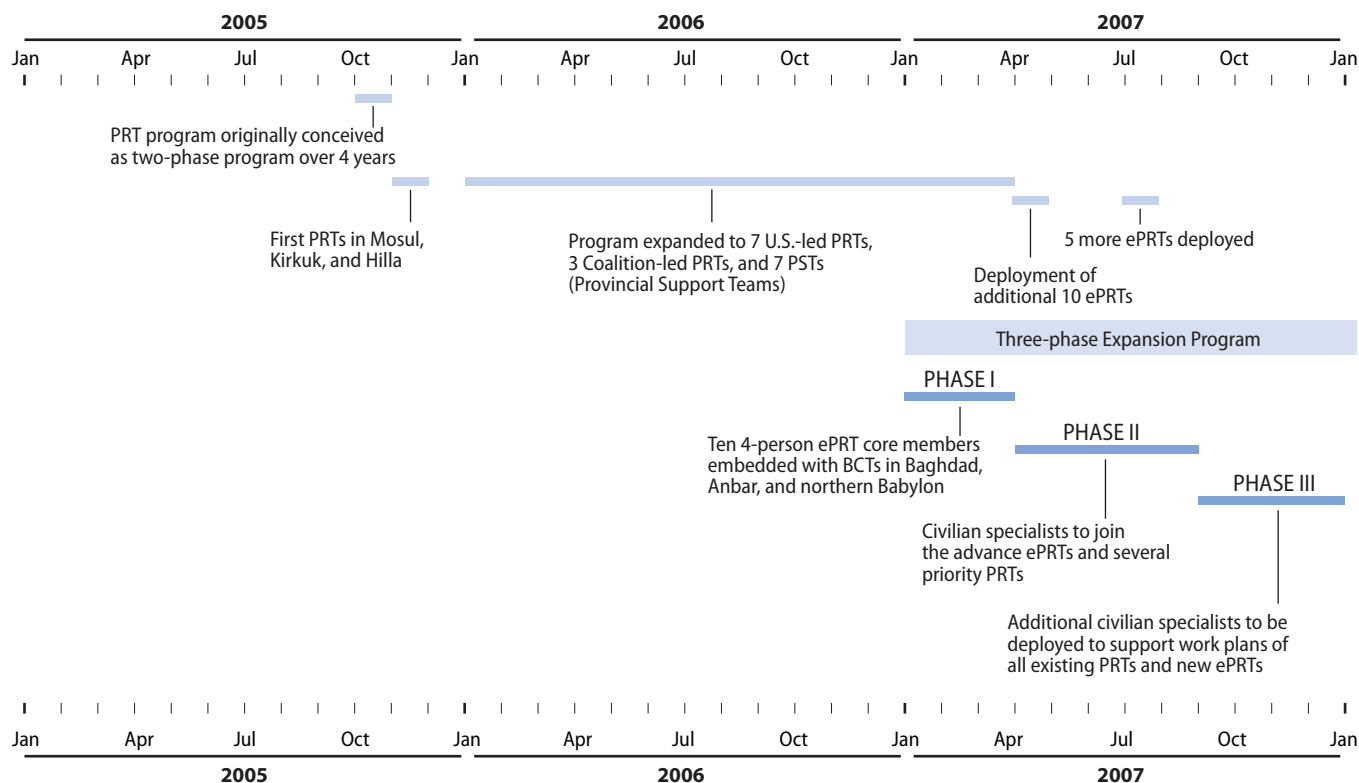
Although progress has been made this quarter in meeting targeted staffing levels, a number of positions remain unfilled. For the status of PRT surge staffing, see Table 2.25.<sup>149</sup>

DoS reports that it is aggressively working with the Office of Provincial Affairs (OPA) to meet the goal of 111 personnel for Phase III positions by the end of the year.<sup>150</sup> Of the 76 selected

Figure 2.23

### PRT PROGRAM TIMELINE

Source: SIGIR Audit 07-014, "Status of the Provincial Reconstruction Team Program Expansion in Iraq" (7/25/2007)





### STATUS OF THE PRT STAFFING SURGE, AS OF AUGUST 30, 2007\*

AGENCY	PHASE I		PHASE II		PHASE III	
	REQUIRED	ONBOARD	REQUIRED	ONBOARD	REQUIRED	SELECTED <sup>g</sup>
Department of Defense	9	9	98	95	-	-
Department of State	20	20	23	0	74	46
Other Agencies	9	9	12	0	37	30
<b>Totals</b>	<b>38</b>	<b>38</b>	<b>133</b>	<b>95</b>	<b>111</b>	<b>76</b>

Source: OPA, response to SIGIR data call, August 31, 2007

Notes:

\*PRT staffing numbers shift constantly. This table represents a snapshot at August 30, 2007.

<sup>g</sup>For Phase III, the OPA provided the total number of personnel "selected" for positions. A later response to a SIGIR data call identified 18 of the 76 onboard as of October 11, 2007. At this time, information about the agency distribution of the 18 onboard is not available.

TABLE 2.25

for Phase III, 18 are onboard, and 58 individuals have been hired and are undergoing in-processing and training, as reported by OPA.<sup>151</sup> Figure 2.24 shows the status of the identified Phase III positions, as of October 11, 2007.

USAID is providing 45 subject matter experts (SMEs) through a contractor.<sup>152</sup> OPA has designated PRT/ePRT positions for most of these SMEs, and the remainder are stationed at the Local Governance Program's regional centers to address special PRT requests and to fill vacancies in designated positions.

## PRT Progress in the Provinces

As the PRT program in Iraq enters its third year, the effectiveness of its efforts in developing Iraq's provincial and local government capacity remains largely unmeasured, primarily because there are few indicators to gauge progress.

This quarter, SIGIR released an audit that assessed PRT progress. In the course of carrying out the audit, SIGIR visited ten PRTs, nine ePRTs, and seven PSTs to assess five core areas—governance, rule of law, economic devel-

opment, reconstruction, and political reconciliation. Overall, SIGIR found that the PRT program is making incremental progress in capacity-building at the provincial and local levels. For the executive summary of SIGIR's audit of the PRT program, see Section 3 of this Report.

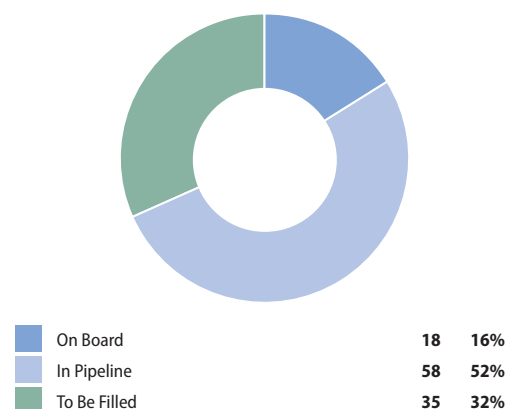
Table 2.26 presents an overview of the audit's findings for each region in Iraq for the five areas of PRT program emphasis. (The U.S. agencies operating in Iraq use different spellings of Iraqi provinces and cities. This figure reflects the spellings used by the PRT program, not by SIGIR.)

Figure 2.24

### PHASE III PRT SURGE PERSONNEL, AS OF OCTOBER 11, 2007

Civilian Personnel

Source: OPA, Response to SIGIR Data Call (10/11/2007)



## PROGRESS VIEWED ACROSS REGIONAL AREAS OF THE COUNTRY

REGIONAL AREAS		PRT OFFICIALS REPORT		PRT INITIATIVES
<b>NORTHERN PROVINCES</b>  Better security situation, with relative peace and stability in Kurdish provinces. Concerns exist that situation could worsen if insurgents flee north.		<b>GOVERNANCE</b>  Progress in governance skills of Iraqis. Better links between provincial officials and counterparts at the local/central levels.  All provinces were making progress executing 2007 budgets and were ahead of 2006 pace.		Teaching and coaching provincial officials on governance issues.
<b>RULE OF LAW</b>		Mixed assessment of provinces' law enforcement and judicial systems' effectiveness.  In Ninewa, public confidence in judicial system increased from 6-25% this period.  Establishment of Major Crimes Court in Ninewa with other provinces in progress.		Actively assessing the justice system by visiting judicial, prison, and police facilities.
<b>ECONOMIC DEVELOPMENT</b>		Healthy economic growth in Kurdish region because of ability to attract international donors and investors. Shortages of fuel and reliable power constrain development in other provinces.		Efforts underway in all provinces to develop financial sectors and assist small businesses and agricultural efforts—but efforts are fairly small.
<b>RECONSTRUCTION</b>		Provincial officials are now able to identify, prioritize, and coordinate projects.  Provincial reconstruction process has expanded to include GOI funds and is slowly transitioning to full Iraqi control.		Teaching management skills to provincial officials rather than funding construction projects.
<b>POLITICAL RECONCILIATION</b>		Efforts have failed to significantly influence sectarian and tribal leaders to address the issue of reconciliation.  Uncertainty created by upcoming Article 140 referendum to determine if Kirkuk and Northern Iraq's disputed territories will be part of the Kurdistan region is casting a shadow over the region.		Trying to assist in finding common ground between parties.

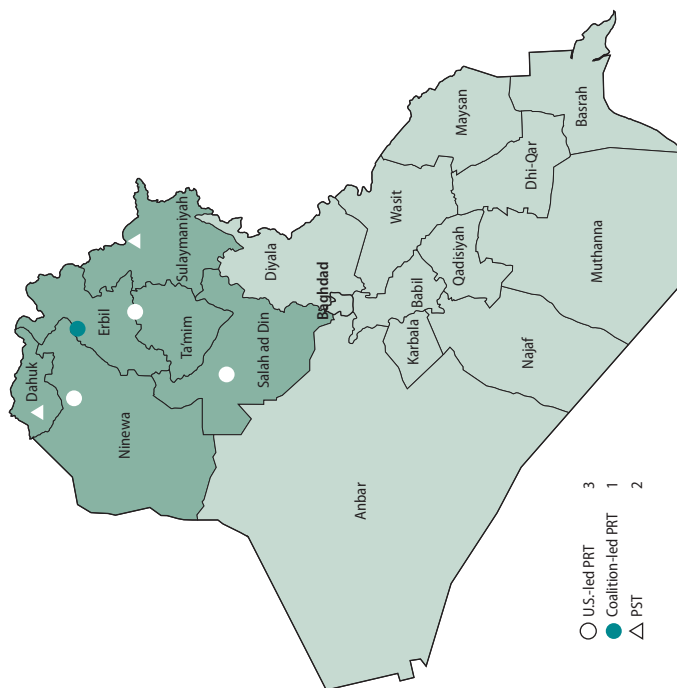


TABLE 2.26

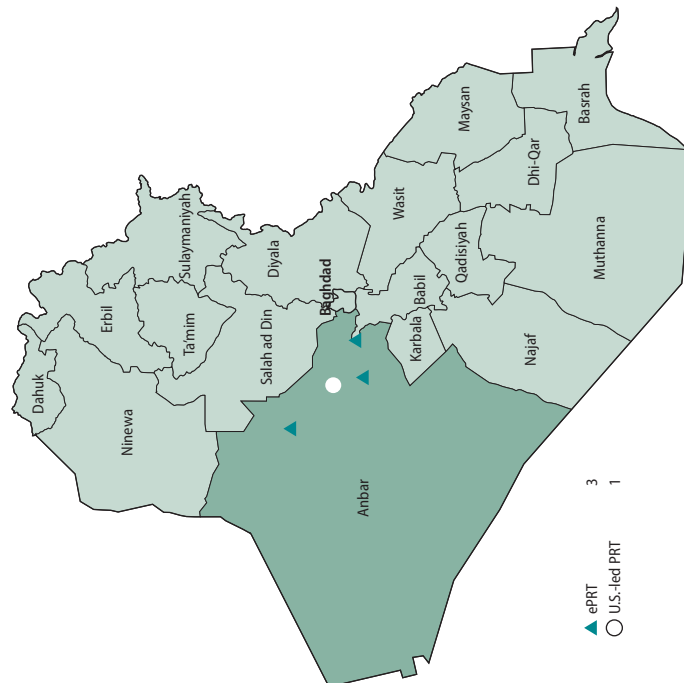
## PROGRESS VIEWED ACROSS REGIONAL AREAS OF THE COUNTRY

### REGIONAL AREAS

#### WESTERN PROVINCE

By spring of 2007, tribes had banded together to oppose Al-Qaeda, improving the security situation. Many who fled are returning and seeking their former positions.

With improved situation, PRTs/ePRTs expect their efforts will begin showing results in the next 4-6 months.



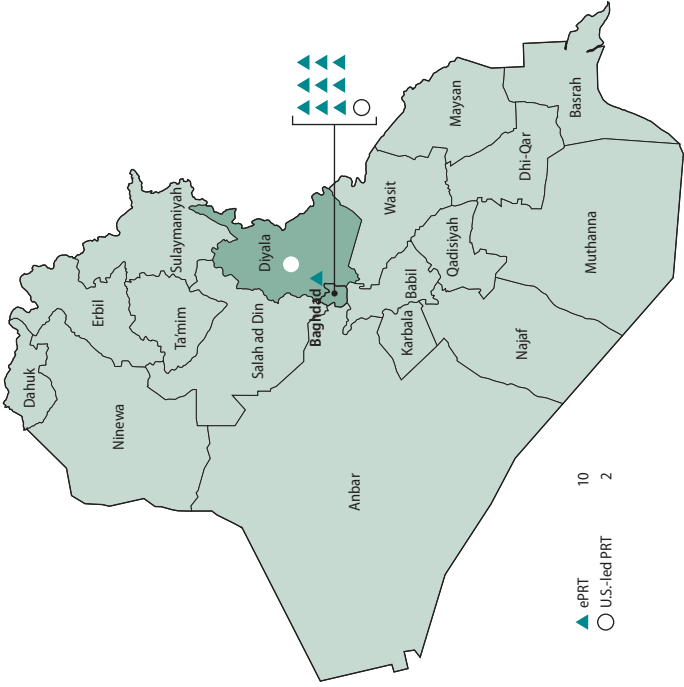
	PRT OFFICIALS REPORT	PRT INITIATIVES
<b>GOVERNANCE</b>	Integral components of provincial government are in place; however, ineffective linkages and relationships are limiting effectiveness.  Governance is in formative stages as key stakeholders remain in a state of flux.	Trying to improve communication between various levels of government.
<b>RULE OF LAW</b>	Although civil courts had been functioning, security issues prevented judges from hearing major crime cases.  Little linkage or chain-of-command relationships between police, courts, and correction personnel.	Initiatives limited because PRTs/ePRTs lack a sufficient number of experts to provide the needed legal and judicial assistance.
<b>ECONOMIC DEVELOPMENT</b>	Efforts to foster economic development are underway now that large-scale combat operations have ended.  However, the lack of programs to create permanent jobs, lack of fuel, and sporadic power access undermines factory restarts and other development.	Efforts since arrival of economic specialists in mid-June include restarting a factory and reopening the city's main market.
<b>RECONSTRUCTION</b>	Progress is slow in beginning to spend GOI funds for reconstruction involving essential services.  Ramadi and Fallujah infrastructure remains largely destroyed from years of fighting.	Teaching management skills to provincial officials.
<b>POLITICAL RECONCILIATION</b>	As a result of the tribes having mobilized to align with coalition forces against Al-Qaeda's presence in Iraq, officials are optimistic that measurable progress may now be made.  However, concerns persist about dormant tribal issues that could emerge.	Efforts to impress on predominantly Sunni provincial government officials the need to obtain funding and services from the central ministries.

PROGRESS VIEWED ACROSS REGIONAL AREAS OF THE COUNTRY

REGIONAL AREAS

CENTRAL PROVINCES

Significant security challenges remain. However, PRT Baghdad made more than 1,500 trips during the past year to areas outside the International Zone. New ePRTs have expanded U.S. interaction with Iraqis at the neighborhood, district, and municipal levels. BCT leaders seem convinced that ePRTs constitute a tangible benefit.



	PRT OFFICIALS REPORT	PRT INITIATIVES
GOVERNANCE	<p>Governance remains extremely contentious; Shia parties continue to fight any structural changes that might weaken their position.</p> <p>Some areas of governance have improved, but challenges remain in keeping provincial and local officials on task to solve problems and take ownership of their government.</p>	<p>Working to establish links between local and province officials. Assisted Baghdad province in submitting a budget resulting in district funding for the first time.</p>
RULE OF LAW	<p>Concern that focus is too short-term at the expense of long-term needs of the judicial system.</p> <p>Iraqi police have not earned the trust of the population, and judicial orders tend to be ineffective.</p>	<p>Upgrading technical skills of judicial personnel and addressing overcrowded conditions in prisons.</p>
ECONOMIC DEVELOPMENT	<p>Security issues and sporadic power supplies continue to hinder growth in Baghdad. North Diyala has had stable growth. South Diyala is dysfunctional because of the tenuous security situation.</p>	<p>Although insecurity hinders PRTs, efforts made in securing/re-opening Baghdad markets, promoting micro-lending, and assessing state-owned enterprises to determine viability.</p>
RECONSTRUCTION	<p>Baghdad's institutions are assuming functions formerly carried out by U.S. officials, but getting them to take responsibility for maintaining facilities remains a significant challenge.</p> <p>In Diyala, the sectarian divide undercuts efforts, and the province is having difficulties executing its budget.</p>	<p>Managing reconstruction efforts and working with provincial counterparts, encouraging them to take responsibility for maintaining their infrastructure.</p>
POLITICAL RECONCILIATION	<p>Despite reduced violence, officials are pessimistic that lasting reconciliation is occurring and expressed concern that a departure of U.S. forces would result in ethnic cleansing.</p> <p>In Diyala, there is a desire to work toward reconciliation, but it will take years to overcome ill-will between tribes.</p>	<p>Projects implemented through the provincial reconstruction process split roughly 50-50 between Sunni and Shia neighborhoods.</p>

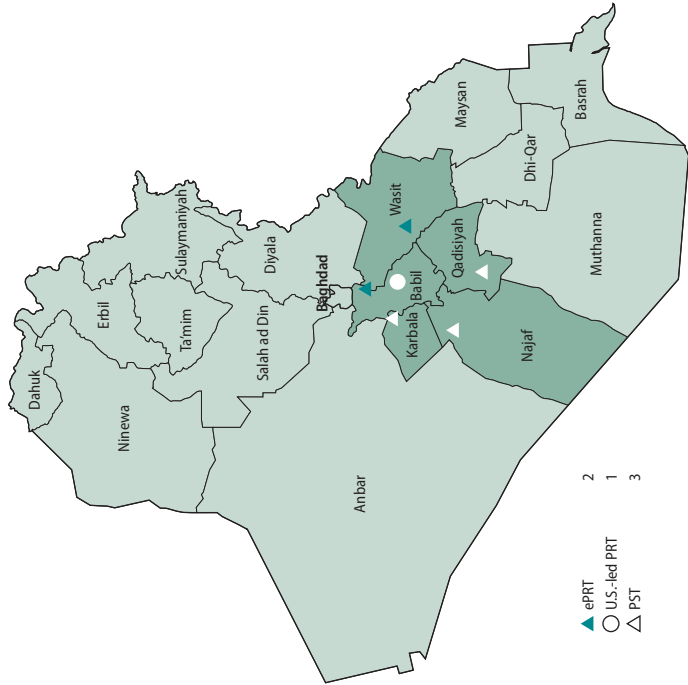
REGIONAL AREAS

**SOUTH-CENTRAL PROVINCES**

Fundamental issue facing PRTs is movement security, limiting their ability to effectively engage Iraqi counterparts and assess progress.

Tangible progress being made in Babil, but officials in Najaf, Karbala, and Qadisiyah are less optimistic.

Region is known as the Shia heartland: security is generally calm for Iraqis and Iranians, but dangerous for Coalition forces, civilians, and PRT personnel.



PRT OFFICIALS REPORT		PRT INITIATIVES
<b>GOVERNANCE</b>	All five provinces are finishing Provincial Development Strategy plans and modest improvement to budgeting, strategic planning, and forming civil societies.	Limited ability to teach, coach, and mentor because of tenuous security situation.
<b>RULE OF LAW</b>	Governments are marginally able to provide law enforcement and judicial functions that openly and fairly protect and serve the population. Advisors believe wholesale reform of Iraqi law is needed to bring coherence to the law and fill many gaps in political and regulatory practices.	Judges and lawyers are reluctant to work closely with U.S. personnel. Some progress has been made (i.e. distributing laptops to judges with software capable of searching Iraqi law).
<b>ECONOMIC DEVELOPMENT</b>	Region is economically stagnant with little evidence of growth or permanent job creation. Religious tourism and small-scale agricultural production constitute main economic activities. Pressing need to reduce unemployment to counter recruitment by militias. Security has restricted commercial credit and Iraqi and foreign investment in small and medium-sized businesses. PRT Babil reports an acute need for business development training.	Opening of business development centers and plan to use quick response funds to increase agricultural production.
<b>RECONSTRUCTION</b>	Provinces are doing a reasonably effective job of managing reconstruction efforts despite poor performance in staffing and sustaining facilities once built. All provinces are on course to execute their 2007 capital budgets. Karbala and Najaf are generally able to provide basic services, but the other provinces struggle to do so.	Security situation limits ability to teach, coach, and mentor Iraqi counterparts.
<b>POLITICAL RECONCILIATION</b>	Provincial elections are planned, and political parties are working to consolidate power. Political dialogue is scarce, and civil society too weak to mediate. Predominantly Shia, this region does not face the sectarian problems of the mixed areas in and around Baghdad. One exception in the northern districts of Babil and Wasit, where sectarian fighting and insurgent infiltration have become endemic. Provincial government has largely abstained from working to solve problems in the north.	Limited. PRT officials on the ground question what role and effect they can have on the reconciliation process.

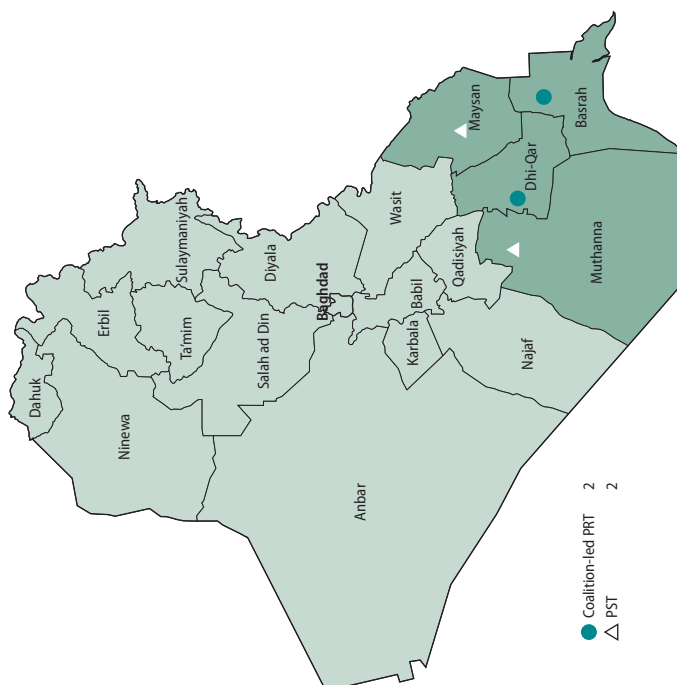
## PROGRESS VIEWED ACROSS REGIONAL AREAS OF THE COUNTRY

### REGIONAL AREAS

#### SOUTH-EASTERN PROVINCES

The political and security situation in Basrah, which is home to 2/3 of Iraq's oil resources, casts a political and economic shadow over the other three provinces.

Security situation has stifled PRT in Basrah; PST personnel in Muthanna feel that their province offers the most relaxed security environment and the key to their footing in the southeast region.



PRT OFFICIALS REPORT		PRT INITIATIVES
GOVERNANCE	<p>Provinces possess generally functional governments that were on track to expend entire 2007 budgets. However, officials lack hard skills in areas such as administration, management, planning, and accounting.</p> <p>Also, officials have shown themselves incapable of providing and sustaining essential services. Most of the region suffers from low literacy and a lack of skilled labor.</p>	<p>PRT coaching and mentoring to encourage government officials to develop overall provincial plans and transition to a more participatory, transparent mode of governance.</p>
RULE OF LAW	<p>Differences among the provinces. Police officers are viewed with suspicion by the local population because of their links to local militias and corrupt activities.</p>	<p>PRT Basrah has made some headway (i.e. funding for new courthouse and prison), but its inability to work in the city due to security concerns limits its effectiveness.</p> <p>PRTs in other areas have only a limited understanding of rule-of-law activities in their provinces.</p>
ECONOMIC DEVELOPMENT	<p>Until the violence in Basrah subsides, they do not expect much economic growth.</p> <p>Except for the oil industry and ports in Basrah, there is little new economic activity. Unemployment is estimated at 40-60%, and subsistence agriculture is the main source of jobs. Before 2003, small to medium-sized business flourished but then stopped. Efforts to restart them are stymied by a lack of skill or interest.</p>	<p>PRT Basrah has tried to relax travel and commercial restrictions between Basrah and Kuwait and started a bankers association.</p> <p>PRT Dhi-Qar plans to introduce a micro-lending program to encourage the start of small and medium-sized enterprises.</p>
RECONSTRUCTION	<p>Provinces recently developed their Provincial Development Strategy. However, most reconstruction projects have been carried out by coalition forces with little Iraqi input. Provincial officials have little ability to manage and sustain those projects.</p>	<p>Focus on raising local management skills, encouraging provincial ownership of the reconstruction process, and getting the province to spend its own budget resources.</p>
POLITICAL RECONCILIATION	<p>Reconciliation, in terms of sectarian considerations, is not an issue in this region because the vast majority of the population is Shia. Conflict between political parties is nonetheless a concern in some areas. Shia political groups are locked in violent struggle in Basrah, leaving the city in control of militias and criminal gangs.</p> <p>Recent violence in Dhi-Qar broke months of relative calm. In Muthanna, tribal loyalties take precedence over political parties.</p>	<p>PRT efforts are constrained by ongoing violence.</p>





## Provincial Iraqi Control Over Security

Provincial Iraqi Control (PIC) is the term used to describe a province that has transitioned its security responsibility to Iraqi control. This quarter, the March 2008 target date for completing the PIC for all provinces was extended to July 2008.<sup>153</sup> This is the latest adjustment of the

PIC completion date. Previously, PIC completion was expected by the end of 2007.<sup>154</sup>

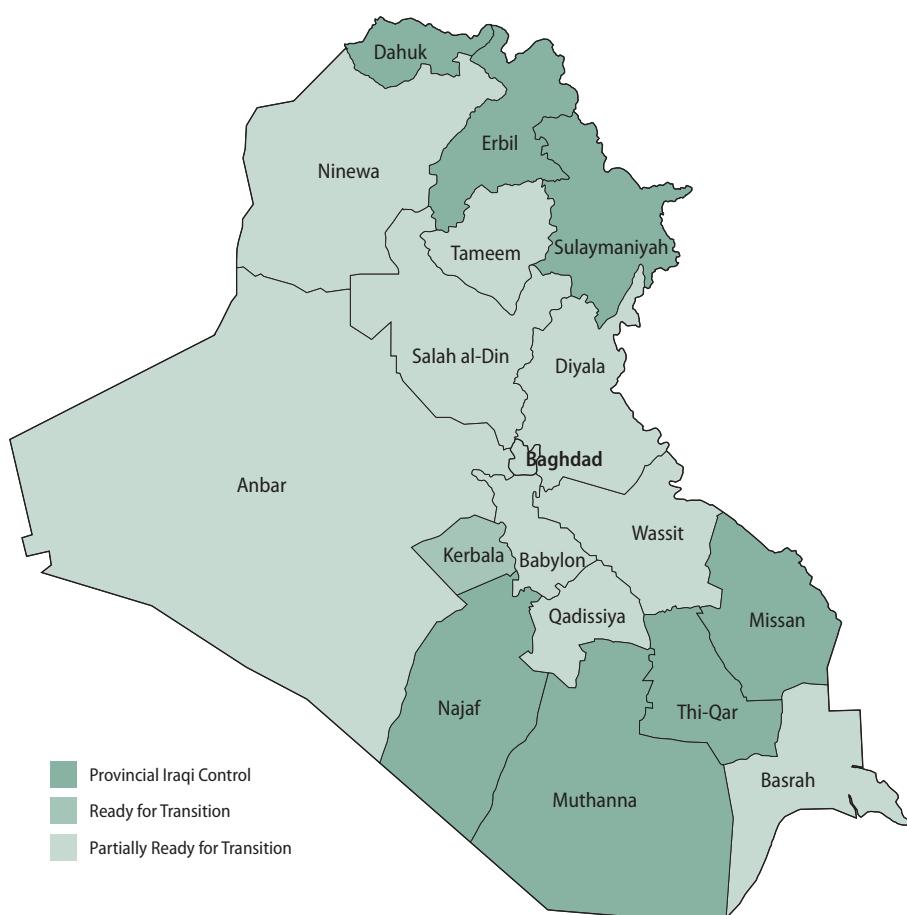
Seven provinces have already achieved PIC status, as shown in Figure 2.25.<sup>155</sup> Last quarter, an eighth province (Basrah) was identified as a “priority province” for PIC, but the transfer has yet to occur.<sup>156</sup>

DoD recently noted that PIC transition is not

Figure 2.25

### PROVINCIAL SECURITY TRANSITION ASSESSMENT, AS OF AUGUST 2007

Source: DoD, *Section 9010 Report* (9/14/2007)





a sufficient condition for withdrawal of Coalition forces and that the Multi-National Force-Iraq (MNF-I) will assume an “overwatch” posture to support emergent security requirements beyond the control of Iraq security forces.<sup>157</sup>

As Coalition military forces reduce their presence in provinces that have returned to PIC, MNF-I is expected to reduce its presence while maintaining the ability to support PRT and Transition Team efforts.<sup>158</sup> But the planned turnover of Coalition Forward Operating Bases (FOBs) in provinces slowed as force levels increased for the military surge. Between August 2006 and September 2007, the number of FOBs increased 13.6% (from 110 to 125); 61 FOBs have been turned over to Iraqi control.<sup>159</sup>

## PRT Program Challenges

PRT program coordination and staffing challenges persist. A September 2007 USAID audit reported deficiencies in the interaction and coordination of some USAID PRT representatives with their cognizant technical officers and in the activities being implemented in their areas.<sup>160</sup> The audit also identified a lack of procedures and poor coordination.<sup>161</sup>

SIGIR has performed three audits on PRTs, which were released in October 2006, July 2007, and October 2007. In each of these audits, SIGIR has made relevant recommendations to address program challenges. The challenges and related SIGIR recommendations are summarized in Table 2.27.<sup>162</sup>

SIGIR’s recommendation to develop objectives and performance measures is still appropriate. The need for such measures is especially pressing in Basrah, Najaf, Kerbala, Qadissiya, and Missan, where PRT access to Iraqi officials is limited because of the difficult security conditions.

The need to effectively coordinate PRT programs continues to present challenges. In some provinces, commanders are using CERP funds to conduct projects that are more appropriate for local and provincial governments, but this work has sometimes conflicted with PRT activities.<sup>163</sup> In provinces where commanders are coordinating well with PRT team leaders, reconstruction projects are achieving better results.



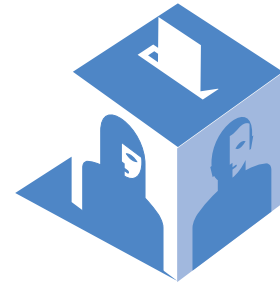
## PRT CHALLENGES AND SIGIR RECOMMENDATIONS

PRT CHALLENGES	RELATED SIGIR RECOMMENDATIONS
<b>SEARCH FOR SKILLED PERSONNEL</b>	
<ul style="list-style-type: none"> <li>Agencies have struggled to field civilian advisors; many PRTs are at half capacity.</li> <li>There is a mismatch of skill sets to fit the responsibilities of the PRT role; fits are improving but remnants of mismatch remain.</li> <li>There is a shortage of Arabic-speaking bilingual bicultural advisors (BBAs); only 29 of the 610 filled slots are BBAs, as of August 2007.</li> <li>Staffing and continuity issues persist in relation to the transition of PRT program oversight to OPA.</li> </ul>	<ul style="list-style-type: none"> <li>Develop a workforce plan for OPA to fill critical staff vacancies and ensure continuity in leadership and experience managing the PRT program (July 2007).</li> <li>Specify skill set requirements for civil affairs personnel at PRTs to enable better training, selection, and assignment (October 2006).</li> </ul>
<b>CIVILIAN AND MILITARY INTEGRATION</b>	
<ul style="list-style-type: none"> <li>No permanent, predictable method of integrated decision-making exists, and resource-sharing between civilian and military structures is challenging.</li> <li>There is a patchwork quilt of memoranda of agreement, cables, and military orders.</li> <li>Synchronization is needed in short-term counterinsurgency operations, medium-term stabilization efforts, and long-term development programs.</li> </ul>	<ul style="list-style-type: none"> <li>Jointly establish a comprehensive plan with elements tailored for each PRT; plan should clearly define objectives and performance measures, and milestones for achieving stated objectives, be linked to funding requirements, and identify the organization(s) within each agency that are accountable for the plan's implementation (October 2007).</li> <li>Require PRTs to submit work plans for accomplishing objectives within established milestones (July 2007).</li> <li>Issue a joint statement reaffirming that the PRT initiative is a DoS-DoD priority, clearly defining the mission, and delineating lines of authority and coordination between civilian and military personnel (October 2006).</li> <li>Issue a joint statement reaffirming the lines of authority and coordination to achieve effective civilian and military integration in the PRT program (October 2006).</li> </ul>
<b>PHYSICAL SECURITY AND MOBILITY</b>	
<ul style="list-style-type: none"> <li>Only by supporting PRT movements to and from government centers and meetings with provincial leaders are PRTs able to carry out their work.</li> <li>In some places, PRTs rarely travel to the cities for which they are responsible, limiting their interaction with Iraqi counterparts.</li> <li>Movements at many PRTs are limited to one or two per day.</li> </ul>	<ul style="list-style-type: none"> <li>Assign responsibility for reporting attack incidents to one individual at each Regional Embassy Office and military FOB; coordinate closely with U.S. Embassy's Tactical Operations Center (October 2006).</li> <li>Until security improves, consider temporarily assigning the PRT personnel identified for Anbar, Basrah, and the local governance satellite offices in south-central Iraq to functioning PRTs (October 2006).</li> </ul>
<b>COORDINATION OF PROGRAMS</b>	
<ul style="list-style-type: none"> <li>The multi-layered nature of programs results in several independent U.S. entities funding, managing, and engaging at all levels of the GOI.</li> <li>Inherent disconnects between the national and local government exacerbate the problem.</li> <li>PRTs spend an inordinate amount of time coordinating but are still falling short.</li> </ul>	<ul style="list-style-type: none"> <li>Develop guidance on the use and synchronization of CERP funds to support the U.S. government's capacity development mission (October 2007).</li> <li>Develop a performance monitoring system to determine what the PRTs are accomplishing, including clearly defined objectives, performance measures, and milestones for achieving stated objectives (July 2007).</li> <li>Finalize a memorandum of agreement that spells out the shared approach of funding infrastructure, life support, and operating costs of the PRTs at DoS and DoD sites (October 2006).</li> <li>Develop detailed plans for completing and sustaining the PRTs, including clearly defined objectives and performance measures, milestones for achieving stated objectives, future funding requirements, and strategy for sustaining results and successfully transitioning the program to USAID (October 2006).</li> </ul>

Sources: SIGIR Deputy Inspector General, "The Role of the Department of Defense Provincial Reconstruction Teams," testimony before the House Committee on Armed Services, September 5, 2007, pp. 4-7; SIGIR Audit 07-015, "Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq," SIGIR Audit 07-014, "Status of the Provincial Reconstruction Team Program Expansion in Iraq," July 25, 2007; SIGIR Audit 06-034, "Status of the Provincial Reconstruction Team Program in Iraq," October 29, 2006.

TABLE 2.27





## DEMOCRACY AND CIVIL SOCIETY

This quarter, limited progress was made in promoting national reconciliation. Without more success on this issue at the national level, it will be difficult for the GOI to meet some of the political reform benchmarks, including:<sup>164</sup>

- amending the Iraqi Constitution
- promoting a de-Ba'athification law
- organizing provincial and local elections

Other GOI challenges this quarter include ongoing leadership issues in many ministries. As of October 15, 2007, the cabinet had lost 16 ministers and ministers of state. Of the 29 ministers currently serving, 8 are not attending cabinet meetings.<sup>165</sup>

### Amending the Iraqi Constitution

Since November 2006, the Constitutional Review Committee (CRC) has worked to create a report with recommendations for amendments that will reflect the new political environment in Iraq.<sup>166</sup> In May 2007, the Committee issued an interim report to the Council of Representatives (CoR), outlining its efforts and requesting an extension for the final report.<sup>167</sup>

In June, the CRC's deadline was extended through September 2007.<sup>168</sup> On September 8,

2007, the CoR again extended the deadline to the end of December 2007, at the request of the Chairman of the CRC.<sup>169</sup>

The CRC has found it difficult to resolve certain controversial issues, such as:<sup>170</sup>

- blocking of presidential powers by the CoR
- balancing power between the central and regional governments
- disputed claims of territorial ownership, particularly Kirkuk

In August 2007, the Prime Minister, the three-member Presidency Council, and the President of the Kurdish Region met to discuss ways to improve decision-making and power-sharing arrangements. This eight-day meeting resulted in limited progress on a number of topics, but it did produce a vehicle for continuing dialogue designated as the "3 Plus 1 Plus 1 Group."<sup>171</sup>

### The De-Ba'athification Law

The de-Ba'athification legislation is critical to national reconciliation, but it has been held up on disagreements about Iraqi justice, accountability in government, and monetary compensation for victims.<sup>172</sup> At its meeting on August 26, 2007, the 3 Plus 1 Plus 1 Group announced that it had reached an agreement on a draft



de-Ba'athification law and had submitted it to the CoR. The potential law would replace the current de-Ba'athification Law with the Law on the Higher National Commission for Accountability and Justice. The draft is currently being reviewed by the CoR.<sup>173</sup>

## Organizing Provincial and Local Elections

Although the GOI ostensibly has long intended to hold new provincial elections, the necessary preconditions for the elections have never been met.<sup>174</sup> The Prime Minister had targeted provincial elections for 2007.<sup>175</sup> As of October 15, 2007, a date for provincial elections had not been set.<sup>176</sup>

Before provincial and local elections can take place, the GOI and CoR must meet four goals:<sup>177</sup>

- The CoR must nominate candidates for the governorate chief electoral officer positions.
- The GOI and CoR must pass a provincial election law.
- The GOI must set a date for provincial elections.
- The CoR must provide appropriate budgets for voter registration and provincial elections.

Until the GOI and CoR pass the elections legislation, the Iraq High Electoral Commission (IHEC) cannot complete an update of the voter registry.<sup>178</sup> The IHEC is currently training staff, creating a national elections operation plan, and preparing to compile a voter registry.<sup>179</sup> This quarter, nine governorates provided candidate lists to the CoR, including nominees for the Governorate Electoral Officer, which are reviewed by the CoR and passed to the IHEC.<sup>180</sup> In July 2007, IHEC reported that this task has been complicated by the growing number of internally displaced persons (IDPs) in Iraq.<sup>181</sup> For more on IDPs, see the Refugees, IDPs, and Human Rights section of this Report.

USAID has provided a non-profit democracy development organization with a \$30 million grant to provide capacity building and training for the IHEC.<sup>182</sup> The grant will fund work through December 2008.<sup>183</sup> USAID reports that the grant will support registering voters, conducting strategic planning, setting up public affairs departments, and creating systems at the Governorate Electoral Offices.<sup>184</sup>



## ECONOMIC DEVELOPMENT

National economic development in Iraq remains sluggish. The failure of the CoR to pass a comprehensive hydrocarbon law notably limits growth by inhibiting the expansion of the oil sector. Moreover, persistent security challenges impede economic progress.<sup>185</sup> Nevertheless, there are some signs of improvement at the provincial and local levels. The U.S. Coordinator for Economic Transition estimates that Iraq's economy will grow by more than 6% in 2007.<sup>186</sup>

This is the status of Iraq's main economic indicators this quarter:

- Unemployment is estimated as high as 40%;<sup>187</sup> but reports put it in the 20–25% range.<sup>188</sup>
- The consumer price inflation rate (year-on-year) has decreased from 46% at the end

of June 2007 to 20% at the end of August 2007.<sup>189</sup>

- The Central Bank of Iraq (CBI) has maintained interest rates at 20%, which reflects Iraq's continued monetary policy measures aimed at decreasing inflation.<sup>190</sup>
- As of October 11, 2007, the exchange rate was 1,232 dinars to the dollar, up marginally from 1,249 over the previous quarter.<sup>191</sup> Since November 2006, the dinar has appreciated by more than 19% against the dollar.<sup>192</sup>



Figure 2.26 plots the exchange rate and the overall annual consumer price inflation rate as reported by the CBI.<sup>193</sup> The line at November 2006 indicates the month that the CBI began targeting interest rates to curb rising inflation. This monetary policy measure—recommended by the IMF in its Stand-By Arrangement (SBA) with Iraq—is one factor in the dinar’s appreciation relative to the dollar since that time.

Overall inflation declined and stabilized during the early months of this year, partly because of the CBI’s policy of exchange rate appreciation.<sup>194</sup>

In addition to easing inflation via monetary policy measures, Iraq has made progress implementing other structural reforms recommended by the IMF’s SBA that are necessary for economic growth.

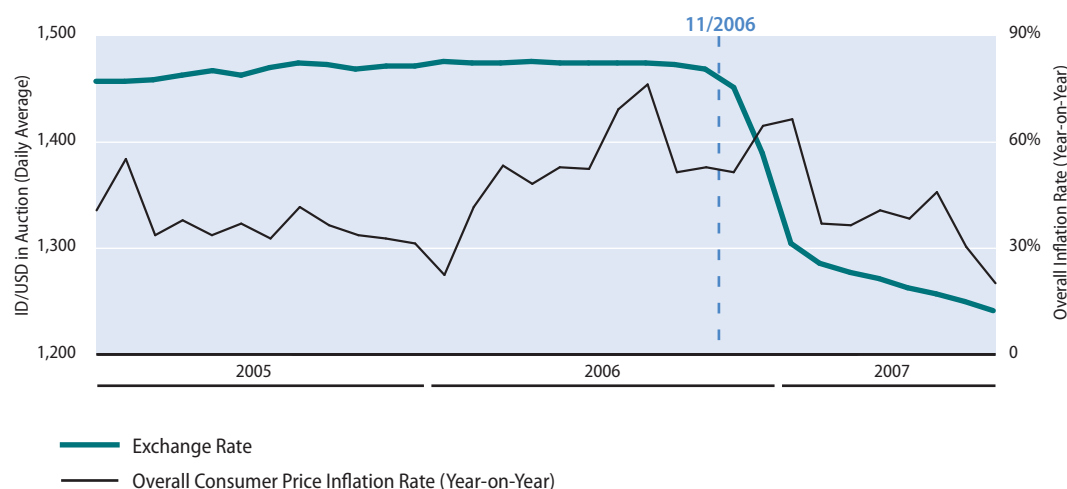
These reforms include:<sup>195</sup>

- the increase of official fuel prices to the levels of other oil exporters in the region
- the liberalization of private sector importation of fuel products
- a finalized interim audit of the CBI’s 2006 financial statements
- the adoption by the Ministry of Finance of a new chart of accounts and budget classification

Figure 2.26

## EXCHANGE RATE AND OVERALL INFLATION RATE

Source: Central Bank of Iraq, “Key Financial Indicators” (9/19/2007)







IMF stipulations in Iraq's SBA specify various measures that GOI must implement to address some of the country's structural deficiencies.

### Iraq's Economy—Oil Sector

The oil sector accounts for about 65% of Iraq's gross domestic product (GDP).<sup>196</sup> Although there were some signs of economic and structural progress in the sector, Iraq's oil production still has not expanded as expected.

Average annual crude oil production has remained at approximately 2 million barrels per day since 2004.<sup>197</sup> Oil production and export volumes have been lower than anticipated because of Iraq's inability to expand capacity, but higher oil prices have compensated for stagnant output.<sup>198</sup> Measured annually, oil exports are essentially unchanged, ranging from 518 million to 541 million barrels over the past three years, as shown in Figure 2.27.

In its fifth review under Iraq's SBA, the IMF reported that Iraq could gradually expand its crude oil production if it protects its oil installations and carefully plans investments in the sector.<sup>199</sup> For more details on oil metrics, see the Oil and Gas section of this Report.

### Iraq's Economy—Non-oil Sectors

Growth in Iraq's non-oil sectors is essential for the country to transition to a market-based economy. U.S. efforts are underway to improve Iraq's agricultural capacity, identify economically viable firms for potential privatization, improve GOI investment promotion activities, and increase Iraqi contractor involvement in reconstruction efforts.

## AGRICULTURE

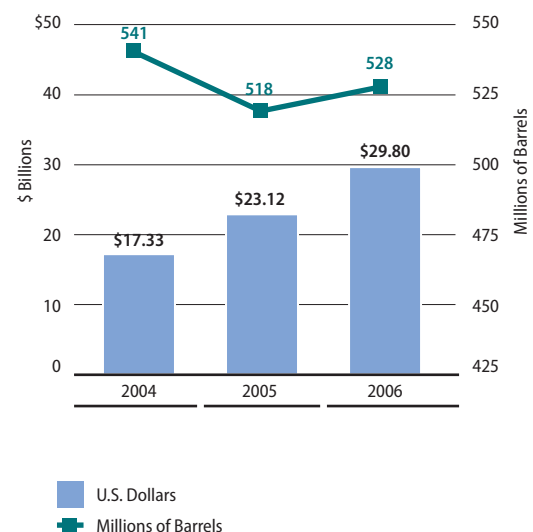
The agricultural sector employs approximately 25% of the Iraqi workforce.<sup>200</sup> The sector thus is the largest employer in Iraq and the second-largest contributor to the country's GDP.<sup>201</sup> U.S. efforts in the agricultural sector aim at implementing a market-oriented environment for agricultural products and developing a cohesive agricultural policy for the GOI.

Figure 2.27

#### IRAQ'S OIL EXPORTS

\$ Billions, Millions of Barrels

Source: IMF, "Iraq: Statistical Appendix," p. 16 (August 2007)





Two shepherds and an employee from the Diyala Department of Veterinarians process sheep through a dowsing basin to rid the animals of parasites and increase their value.

To support U.S. objectives for the agricultural sector, USAID assists the GOI in developing provincial-level agronomic systems. The **Inma Agribusiness Program**, a \$208.6 million effort, works with PRTs to promote agribusiness and value-added processing of agricultural products. Inma employs a broad range of strategies to assist in Iraq's agricultural transformation including.<sup>202</sup>

- direct improvements to production, such as changes in seed or modernizing processing equipment
- indirect production improvements, such as creation of companion service industries, including input sales and financial services
- grants, technical assistance, and training to address supply chain deficiencies

The U.S. Department of Agriculture (USDA) has enlisted a consortium of universities to strengthen agricultural extension and training at Iraqi universities. The stakeholders of this program—the **Iraq Agriculture Extension Revitalization (IAER)** project—have planned seven additional training sessions since its initial July 2007 training in Cairo. Training is scheduled throughout October 2007 through February 2008 in the topics of field crops, beekeeping, dairy, irrigation, project planning, horticulture, and poultry.<sup>203</sup>

The PRT program—through its civilian agricultural specialists—also supports Iraq's agricultural development. **PRT Diyala** recently assisted the provincial government in launching a **sheep-dipping program**—a cleaning process that enables local shepherds to reduce parasitic infestation in their flocks. The tanks were made



locally with U.S. funding support, and the Civil Affairs Units transported the tanks to selected sites. Additionally, CERP funds were used to purchase the necessary cleaning chemicals.<sup>204</sup>

## MANUFACTURING

Iraq's manufacturing industry accounts for approximately 2% of Iraq's GDP.<sup>205</sup> Before 2003, state-owned enterprises (SOEs) and companies had 240 factories operating at 70-80% productivity, according to Iraq's Minister of Planning. Just 175 are now operational, and current production levels range from 10-30%.<sup>206</sup> Some idle state-owned factories have signed loan agreements to restart operations.<sup>207</sup>

In November 2006, the DoD-funded **Task Force To Improve Business and Stability Operations (TF-BSO)** began assessments of industrial operations at state-owned businesses. In conjunction with civil affairs commands within deployed divisions in Iraq, TF-BSO began efforts to restart idle factories at selected sites.

In March 2007, DoD expected that the TF-BSO would assist in restarting more than 140 Iraq factories and employ 150,000 people during the next 6 to 18 months (September 2007 to September 2008).<sup>208</sup> The short-term aggressive

plans for TF-BSO have yielded some results: 17 factories have been restarted as of September 2007. The net employment benefit for these 17 factories is approximately 5,000 employees returning to work.<sup>209</sup> Moreover, the pace of the program appears to be picking up: 11 of those 17 factories restarted production between July and September 2007.<sup>210</sup>

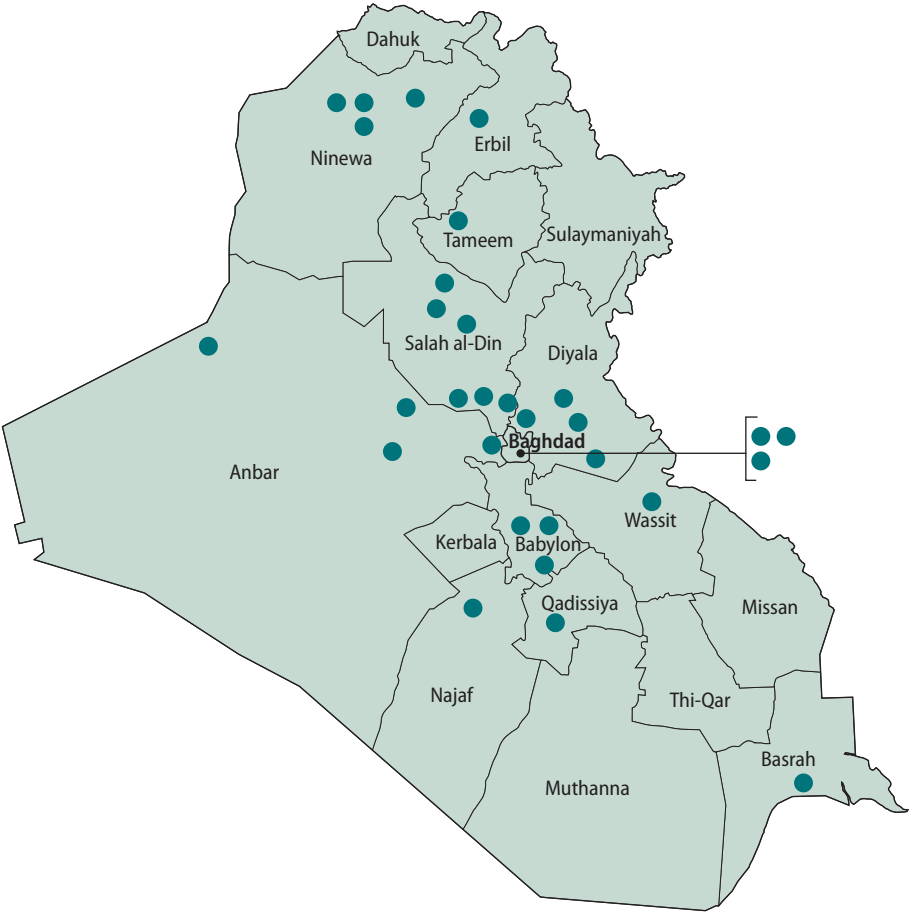
In June 2007, TF-BSO received its first allocation of U.S. support—\$50 million from the Iraq Freedom Fund. The task force is executing a grant portion of this funding to support the revitalization of more than 30 factories to provide small investments for machine maintenance, tooling, training, and raw materials. Figure 2.28 shows the location of the factories that are to receive a portion of the \$50 million of U.S. funds.

TF-BSO has announced that it is in discussions to establish investment and production partners from the United States and internationally. Anticipated projects at revived facilities include the manufacture of farm equipment, generators, commercial food service equipment, manufactured homes, and pharmaceuticals. One immediate plan involves marketing Iraqi-made clothing in the United States during the holiday season.<sup>211</sup>



Figure 2.28

**30 FACTORIES RECEIVING U.S. FUNDS FOR TF-BSO**  
Source: DoD, “MNC-I Commanding General Update: TF-BSO” (10/8/2007)



Note: Locations are approximate.



## PROCUREMENT SERVICES

Another U.S.-initiated private sector development program is the **Iraqi First Program**, which aims to increase the number of U.S. reconstruction contracts awarded to local Iraqi firms. Implemented by the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A), the program estimates that it has generated employment for more than 50,000 Iraqi workers.

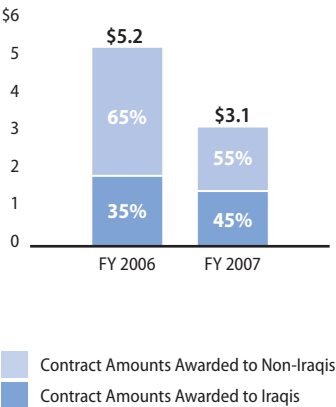
More than 3,000 private Iraqi businesses have been awarded contracts since the program's inception.<sup>212</sup> Obligations to Iraqi firms totaled \$445 million for September 2007, increasing from August 2007's total of \$234 million.<sup>213</sup> The

purpose of the Iraqi First Program is to develop Iraq's economic capacity through greater use of direct, fixed-price contracting with local Iraqi vendors.<sup>214</sup> As of August 2007, Iraqi contractors received a higher percentage of total FY 2007 contract award amounts compared to FY 2006. Figure 2.29 shows the percentage of the total reconstruction contract amounts awarded to Iraqi firms for FY 2006 and FY 2007 (as of August).

Figure 2.30 shows the amount of contract dollars awarded to private Iraqi vendors from November 2006 to August 2007.

Figure 2.29

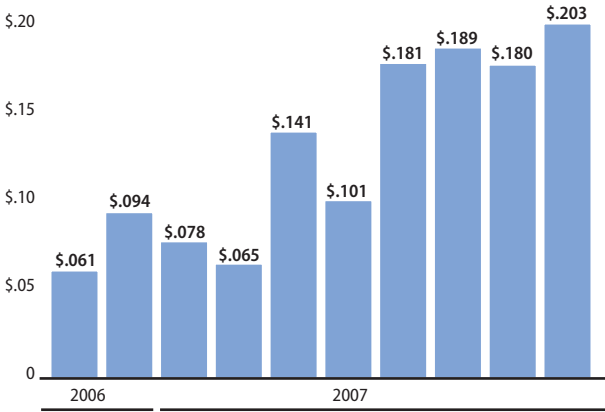
**PERCENT OF CONTRACT AMOUNTS AWARDED TO IRAQI FIRMS**  
\$ Billions  
Source: JCC-I/A, Response to SIGIR Data Call (9/19/2007)



Notes:  
1. Numbers are affected by rounding.  
2. FY 2007 numbers are as of August 2007.

Figure 2.30

**CONTRACT DOLLARS AWARDED TO IRAQI FIRMS**  
\$ Billions  
Source: DoD, "MNC-I Commanding General Update: TF-BSO" (10/8/2007)





## Iraq's Economy— Banking Sector

The consolidated assets of Iraq's 22 private banks and 7 state-owned banks total approximately \$26 billion, which is about 51% of total GDP, as reported by the IMF.<sup>215</sup> Figure 2.31 shows the distribution of those assets between the private and state-owned banks. The two largest state-owned banks hold approximately 70% of the total assets in this sector.

The private sector in Iraq continues to experience a dearth of available capital from the banking sector. Financial intermediation—borrowing money from consumers to lend to companies in need of investment

resources—remains weak. Total deposits in the banking sector were \$12.9 billion, and the loan portfolio of the banks was \$2.2 billion at the end of 2006.<sup>216</sup> This deposit base and loan portfolio is relatively small when compared to other countries in the region.<sup>217</sup>

## U.S. TECHNICAL ASSISTANCE TO THE CBI

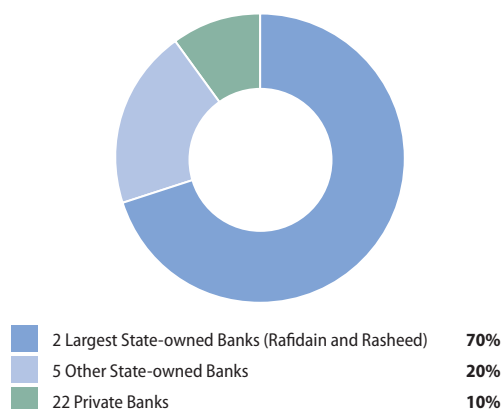
The IMF reports that banking supervision has improved over the past two years.<sup>218</sup> Several U.S.-supported programs have provided technical assistance to the GOI to improve supervision of the banking sector and transparency of GOI financial systems.

Figure 2.31

### CONSOLIDATED ASSETS OF IRAQ'S BANKING SECTOR

% of \$26 Billion

Source: IMF, "IMF Country Report No. 07/301," p.18 (August 2007)





U.S. efforts aim to reduce the amount of cash movement in Iraq by supporting **electronic funds transfer (EFT)** capabilities. In Baghdad, EFT is the mandatory method of payment on all JCC-I/A contracts over \$50,000. Effective October 1, 2007, this requirement is expected to shift Baghdad payments from approximately 95% cash to 95% EFT.<sup>219</sup> This JCC-I/A initiative aims to assist the GOI in moving the country from collateral-based to cash-flow-based lending and supports the development of a modern banking sector in Iraq.<sup>220</sup>

With the assistance of the U.S. Treasury, approximately 18 private banks are connected to the Real Time Gross Settlement and Automated Clearing House systems.<sup>221</sup> The Treasury's initiative facilitates electronic connectivity between Iraqi banks allowing greater uses of the **Iraq Payment System**. The CBI expected to expand the coverage of the new payment system by the end of 2007.<sup>222</sup>

The GOI is required to develop a plan to overhaul the tax system as part of its SBA. USAID's **Economic Governance II** program has assisted the Tax Policy Unit (TPU) of the Ministry of Finance to develop and approve a comprehensive tax reform plan. Moreover, the TPU also supports the Ministry in developing a tax modernization strategy, which includes a sales tax law—the first step toward a value-added tax—to be applied initially at the border with an eventual extension to domestic production.<sup>223</sup>

## U.S. EFFORTS TO SUPPORT PRIVATE SECTOR INVESTMENT

Limited access to capital financing is one of the primary constraints to private sector investment in Iraq. USAID and other U.S. Mission programs are involved in an array of legal, regulatory, and structural efforts that aim to implement investment laws and create an enabling environment for banks and investment programs to operate.

USAID reported these efforts through its **Izdihar** program:<sup>224</sup>

- assisted Iraq's Ministry of Planning to establish the Iraqi Investment Promotion Agency and worked with the Ministry of Trade to form the Iraqi Trade Information Center
- facilitated the drafting and passage of a new investment law
- continued support to micro-finance institutions through loan capital, technical assistance, and training
- issued 18 guarantees, worth \$358,361, through the Iraqi Company for Bank Guarantees—formed by 11 private Iraqi banks with USAID assistance. These guarantees support approved loans totaling \$482,816 to small and medium-sized enterprises.<sup>225</sup>



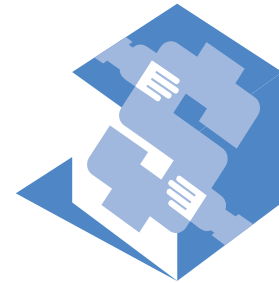
Moreover, the **Iraq Stock Exchange (ISX)** opened to foreign investors on August 2, 2007.<sup>226</sup> There are 93 listed companies on the exchange, according to the ISX.<sup>227</sup> Trading volumes totaled approximately \$8.2 million with almost 7 billion shares traded in the month of September 2007.<sup>228</sup>

### **CONTRIBUTIONS OF PRTS TO THE BANKING SECTOR**

PRTs and ePRTs have evaluated the banking situation throughout Iraq. DoS reports that field

visits by banking specialists revealed that few retail banking services are available to most of the Iraqi population.<sup>229</sup> PRTs and ePRTs coordinate with the Embassy's Treasury contingent to identify bank branches for the two national banks—Rafidain and Rasheed—that potentially can be revitalized and opened shortly to provide retail banking services to the population.<sup>230</sup> For more information on PRT initiatives in the area of economic development, see the Provincial Reconstruction Teams section of this Report.





## CAPACITY DEVELOPMENT

Capacity development continues to be an important element of U.S. efforts to strengthen the GOI. The development of sustainable policies and processes is essential to the GOI's ability to implement budgets, administer programs, and deliver essential services. Although U.S. assistance to the GOI continues to focus on budget execution and ministerial capacity, the absence of a centralized U.S. capacity-building plan with clear goals and milestones makes it difficult to gauge the effectiveness of overall U.S. capacity development efforts.

SIGIR's January 2007 audit, "Status of Ministerial Capacity Development in Iraq,"<sup>231</sup> and the GAO's October 2007 report on the issue<sup>232</sup> identified significant risks to the development of competencies critical to stabilizing, rebuilding, and sustaining Iraq's central services and infrastructure.

### Budget Execution

Budget execution is the process by which governments, municipalities, and other governmental entities allocate and spend the financial resources made available for overhead costs, salaries, projects, and other expenses. In Iraq, the fiscal year begins on the first of January, and although the GOI has been able to spend more in 2007, its ability to overcome challenges in capacity development and financial processing remains a primary concern.

This quarter, SIGIR released an "Interim Report on Efforts and Further Actions Needed to Implement a Financial Management Information System in Iraq." The report reviewed a U.S.-funded effort to develop a new automated Iraqi financial management information system (IFMIS) for the Ministry of Finance. The IFMIS project was suspended for various reasons related to the GOI's lack of commitment to the project. SIGIR recommended that future U.S. investment in the IFMIS be contingent upon an independent assessment of the current state of the project, a plan of action for the way forward, and clear GOI commitment to ownership of the final system.

### NATIONAL BUDGET

Last quarter, SIGIR noted again that the GOI executes budgets for government salaries well, but it has experienced difficulty in executing capital budgets; the GOI had spent only \$2.454 billion of the \$41 billion in its 2007 budget.<sup>233</sup> Treasury noted that year-to-date expenditures total \$10.4 billion.<sup>234</sup>

The 2007 ministerial capital budget is \$10.1 billion dollars, almost 25% of Iraq's total budget. In September 2007, the White House Benchmark Report noted that the ministries had spent approximately 24% (\$2.4 billion) of these funds.<sup>235</sup>



The challenges facing the GOI in budget execution include a reporting gap of three to four months, a lack of multi-year budgeting, and a complex process by which money must flow from the central government out to the provinces.<sup>236</sup> Working through Treasury advisors, the United States aims to improve management and execution of the system, helping Iraq to institute best practices and increase transparency and to support an Iraqi-led course in capital investment.<sup>237</sup>

## Foreign Military Sales

Iraq's Ministry of Interior and Ministry of Defense use Foreign Military Sales (FMS) as a key procurement tool for assistance. FMS allows the purchase and transfer of equipment, training, and other services through government-to-government channels.

Although the process is useful in circumventing inefficient Iraqi contracting mechanisms, it has not been effective in speeding delivery of resources.<sup>238</sup> Moreover, there is no indication that the FMS will ameliorate the ministries' procurement challenges.<sup>239</sup>

FMS was not intended to provide for the "rapid delivery of equipment given the constraints of the competitive bidding process."<sup>240</sup> However, the GOI committed \$1.7 billion to FMS in 2006<sup>241</sup> and had approximately \$1.2 billion in signed FMS contracts by the end of June 2007.<sup>242</sup> By July 2007, however, Iraq had received only \$300 million of FMS supplies, which has been called "weak and frankly embarrassing" by the Independent Commission on the Security

Forces of Iraq (the Jones Report).<sup>243</sup>

Despite the challenges with FMS, Iraq's Prime Minister plans to commit an additional \$1.6 billion for 2007 FMS. The funds will be distributed to Iraq's Ministry of Interior (\$500 million) and Ministry of Defense (\$1.1 billion).<sup>244</sup>

## PROVINCIAL BUDGET

Last quarter, SIGIR reported that Iraq's provinces continued to struggle with budget execution. Although 11 provinces have obligated more than 50% of their 2007 budgets, only 6 provinces have spent more than 25% of their total funding.<sup>245</sup> By the end of September 2007, the provinces had spent \$249 million (11%) of their 2007 budgets.<sup>246</sup>

In addition, the provinces have obligated 94% and expended 82% of their 2006 budgets, which rolled over from last year:

- Diyala remains the only province yet to obligate more than 80% of its 2006 capital budget. Treasury noted that Diyala was limited "early in the year due to kinetic operations."<sup>247</sup> It has now committed 33% of its budget, up 13% from last quarter.
- Wassit has now obligated 98% of its 2006 budget, up 25% from the last quarter.

Provincial expenditures for 2006 rose to 94% of obligated funds, up 1% from August 2007.<sup>248</sup> Affected by security, capacity, and funding challenges, expenditure rates also reflect contracting to long-term projects and slower spending over time.<sup>249</sup>



The U.S. government works with local officials and budget managers to simplify the provincial budget process. This effort aims to augment provincial knowledge of contracting and procurement laws and to expand the “understanding of procedures required for obtaining additional capital releases.”<sup>250</sup>

### **IRAQI-U.S. PROCUREMENT PARTNERSHIP**

The United States provides technical advice to the Iraqi-led Procurement Assistance Program (PAP). PAP supports training in procurement, budget execution, and technology for Iraqi government and provincial officials.<sup>251</sup> Procurement Assistance Centers (PACs) work with Iraqi ministries, provinces, municipalities, and state-owned enterprises, offering guidance, integration, workforce management, and professional development.<sup>252</sup>

PACs work with the Ministry of Planning and Development Cooperation’s Office of Government Public Contracting Policy to provide policy analysis, to “direct assistance for complex contract actions,” and to assist with “the establishment and growth of new and existing Ministerial Procurement Offices.”<sup>253</sup> There currently are three PACs established—two in Baghdad are open<sup>254</sup> and the Erbil PAC is scheduled to open in November 2007.<sup>255</sup> In Baghdad, the central PAC in the International Zone is staffed by 22 people, and Baghdad’s Karradha center has 5 employees.

In the short-term, PAC will provide immediate contracting and policy advice, conduct outreach programs to Iraq’s governmental entities, publish the Iraq Procurement Handbook, and standardize forms, which will result in clarification of the procurement process and improved contract execution.<sup>256</sup>

In the medium-term and long-term, PAC will work throughout the GOI to initiate a system-wide process to manage budget execution, establish advisory services, and improve overall policy mechanisms.<sup>257</sup>

PAP has also established groups to work at the provincial level on procurement and budget processes.<sup>258</sup> Three-person Provincial Procurement Assistance Teams (PPATs) “will advise and assist in the establishment and maturation of the applicable provincial procurement office until release of the FY 2008 budget, at which time a decision will be made as to whether...they will become MoP [Ministry of Planning] staff or Provincial staff.”<sup>259</sup>

PPATs are staffed by Iraqis and operate at the provisional level.<sup>260</sup> Twelve provinces have agreed to use the teams,<sup>261</sup> and during the first week of October, additional discussions began with Kerbala, Najaf, and Qadissiya.<sup>262</sup> As part of the process to integrate PPATs, the Ministry of Planning has signed Memoranda of Understanding with provinces,<sup>263</sup> including Erbil, Diyala, Babylon (Babil), Wassit, Missan, Basrah, and Muthanna.<sup>264</sup>



## Key U.S. Programs

DoS provides immediate assistance to the ministries, the Prime Minister's office, and the Council of Ministers Secretariat through the Iraq Transition Assistance Office (ITAO).<sup>265</sup> USAID, which also works within these entities, works through the National Capacity Development Program (NCD), known as Tatweer.<sup>266</sup> Currently in its second phase, NCD's 126-person staff<sup>267</sup> focuses on creating consistent policy mechanisms within the GOI by conducting training workshops for civil servants, offering scholarships for graduate work, and advising ten key ministries. The funding discussion of both agency capacity development efforts appears in the Economic Support Fund section of this Report.

USAID is institutionalizing training by working with Iraq's primary public administration training facility, the National Center for Consultancy and Management Development (NCCMD). Its main center is in Baghdad, and Tatweer is helping to set up satellite offices in Basrah and Mosul.<sup>268</sup> A third regional center has been established with the Kurdistan Regional Government, in Erbil.<sup>269</sup>

Tatweer's workshops include courses for training the trainers, case studies on project management, business English, financial management (cash, budget, and government), human resources management, and leadership and communication. As of September 20, 2007, more than 1,750 GOI employees had participated in 94 courses, including 700 women. Last quarter, more than 800 people had attended approxi-

mately 50 training sessions.<sup>270</sup> Several GOI employees have attended multiple classes, and approximately 144 civil servants are now trained GOI trainers.<sup>271</sup>

As part of the effort to strengthen Iraq's policy capacity, Tatweer sponsors scholarships for civil servants to earn master's degrees in public management or public administration. By October 17, 2007, 81 scholarships had been awarded. Tatweer is in the third round of applications and expects to offer an additional 100 scholarships.<sup>272</sup>

USAID is also collaborating with Iraqi ministries to improve their planning processes and implement their capacity development efforts. Last quarter, Public Management Advisors (PMAs) were operating in seven ministries. This quarter, 11 PMAs assisted the GOI with fiscal management, strategic planning, and project management.<sup>273</sup>

- Nine advisors are in the targeted ministries.
- One operates in the NCCMD.
- One advises the Council of Ministers, the Deputy Prime Minister's Office, and the Prime Minister's Office.<sup>274</sup>

USAID uses Public Management Units (PMUs) to augment ministerial assistance. The PMUs work wherever they are needed,<sup>275</sup> assisting in accelerating capacity development processes and performance management.<sup>276</sup> Three PMUs—staffed by eight personnel—provide assistance in information technology, statistics, and procurement. They have operated in the Prime Minister's Office and the ministries



of Oil, Electricity, Municipalities and Public Works, Justice, Health, Planning and Development Cooperation, Water Resources, Human Rights, Agriculture, and the Council of Ministers Secretariat.<sup>277</sup>

Other examples of capacity development initiatives include:

- training on structural geology, coordinated between the U.S. Embassy and five officials from the Ministry of Oil<sup>278</sup>
- two online seminars for Iraqis—one addressing concrete deterioration and repair and one addressing project work plans<sup>279</sup>
- two networking meetings for Iraqi businesses to assist with contracting training and responding to tenders<sup>280</sup>
- a conference, hosted by the Iraqi-American Chamber of Commerce and Industry,

where Iraqi and U.S. speakers addressed economics, business, and vocational training<sup>281</sup>

- training plant managers and technicians to sustain electrical generation units at the Doura Plant Units 5 and 6<sup>282</sup>
- on-site support for employees at 12 water and wastewater treatment plants<sup>283</sup>

GRD's IRRF programs are contributing \$60 million to capacity development and \$97.4 million for Operations and Maintenance (O&M) Sustainment.<sup>284</sup> Examples of projects include:

- three ITAO-managed seminars related to oil projects
- ten electrical sustainment projects
- one water O&M project





## REFUGEES, IDPs, AND HUMAN RIGHTS

The United Nations High Commissioner for Refugees (UNHCR) reports that the unstable security situation in Iraq has forced more than 4.4 million Iraqis from their homes<sup>391</sup>—more than 3.2 million since 2003.<sup>392</sup> More than 2.2 million Iraqi refugees now live in other countries, and 2.2 million Iraqis are displaced internally.<sup>393</sup>

UNHCR estimates that 60,000 Iraqis are being displaced every month.<sup>394</sup> Approximately 15.7% of the Iraqi population has been forced from their homes.<sup>395</sup>

### Internally Displaced Persons (IDPs)

In October 2006, UNHCR reported 1.5 million Internally Displaced Persons (IDPs) in Iraq.<sup>396</sup> Over the past year, this number had risen to 2.2 million.<sup>397</sup> The International Organization for Migration (IOM) cites increasing sectarian violence and widespread lawlessness as key reasons for the increase.<sup>398</sup> Figure 2.32 shows the percentage of IDPs from each province.

More than half of Iraq's governorates have implemented entry restrictions for displaced persons. These restrictions vary by governorate. Table 2.28 shows each governorate's restrictions on IDP entry and the percentage of IDPs originating there.

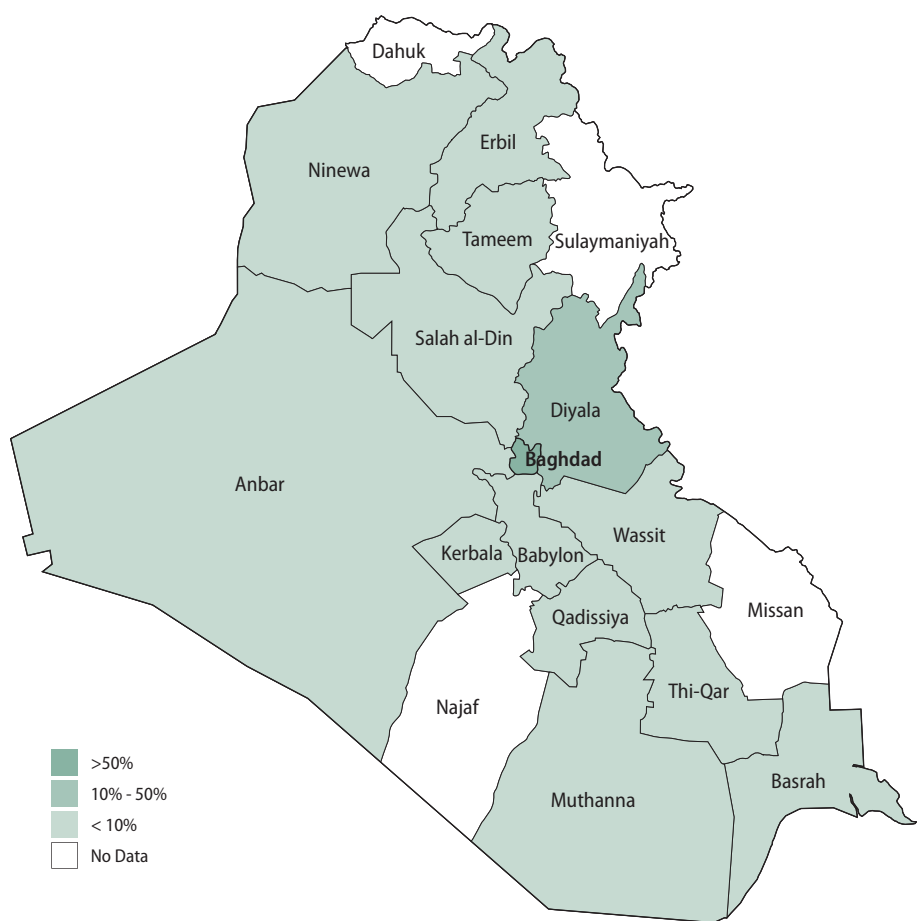
USAID's Office of U.S. Foreign Disaster Assistance (OFDA) received \$45 million for humanitarian assistance to IDPs in Iraq. This funding allows implementing agencies in all 18 provinces to provide IDPs with emergency relief supplies; water system and infrastructure rehabilitation; small-scale, cash-for-work activities; and support for mobile medical teams and emergency health programs.<sup>399</sup>

When IDPs emigrate into new governorates, religious and ethnic groups often clash. In response to the escalating tension, the National Democratic Institute for International Affairs (NDI) has launched several programs to peacefully work through conflict.<sup>400</sup> In Erbil, for example, the NDI funds a program that works to encourage tolerance among local youths.<sup>401</sup>



Figure 2.32

**INTERNALLY DISPLACED PERSONS (IDPs) - LOSS OF POPULATION BY DISPLACEMENT**  
Source: International Organization for Migration, IOM Emergency Needs Assessment (9/15/2007)













## IDP ENTRY RESTRICTIONS BY GOVERNORATE

GOVERNORATE	GOVERNORATE LOCATION	PERCENTAGE OF TOTAL IDPs ORIGINATING IN GOVERNORATE	ENTRY RESTRICTIONS
ANBAR		6%	IDP families are deported if any link to the insurgency is suspected.
BABYLON		1%	No IDPs have been permitted to enter Babylon since March 2007. Exceptions include professionals and former residents of the governorate.
BAGHDAD		68%	There are no reported IDP restrictions for entry into Baghdad. Many IDPs here have moved from heterogeneous to homogeneous communities within the city.
BASRAH		2%	No IDPs are permitted to register in Basrah. Exceptions are made only for former Basrah residents.
DAHUK		0%	Dahuk is imposing restrictions on IDP entry into the governorate. Dahuk has accepted Yazidi IDPs who were displaced after the Sinjar bombing in Ninewa.
DIYALA		15%	Although no specific IDP restrictions are reported in Diyala, checkpoints have been set up at governorate borders and within the city.
ERBIL		0%	Erbil is now restricting IDP entry into the governorate. Erbil has accepted Yazidi IDPs who were displaced after the Sinjar bombing in Ninewa.

# REFUGEES, IDPs, AND HUMAN RIGHTS








## IDP ENTRY RESTRICTIONS BY GOVERNORATE

GOVERNORATE	GOVERNORATE LOCATION	PERCENTAGE OF TOTAL IDPs ORIGINATING IN GOVERNORATE	ENTRY RESTRICTIONS
KERBALA		0%	IDPs were not permitted for many months, but Kerbala has reportedly begun registering those it deems "most vulnerable."
MISSAN		0%	No restrictions reported.
MUTHANNA		0%	Only IDPs belonging to a specific Muthanna tribe are permitted to register in the governorate.
NAJAF		0%	No new IDPs have been permitted to enter Najaf City since December 2006.
NINEWA		2%	An IDP camp in Ninewa was closed this quarter due to insufficient funds and unsustainable living conditions.
QADISSIYA		0%	No new IDPs will be accepted in Qadissiya except for former residents, who will be permitted to return.



### IDP ENTRY RESTRICTIONS BY GOVERNORATE

GOVERNORATE	GOVERNORATE LOCATION	PERCENTAGE OF TOTAL IDPs ORIGINATING IN GOVERNORATE	ENTRY RESTRICTIONS
SALAH AL-DIN		4%	Reports indicate that all IDPs from Diyala and Anbar have been removed from the governorate due to the deteriorating security situation in Salah al-Din.
SULAYMANIYAH		0%	Sulaymaniyah is currently placing restrictions on IDP entry into the governorate.
TAMEEM		1%	No IDP restrictions have been reported for Tameem this quarter.
THI-QAR		1%	Only IDPs with tribal connections to Thi-Qar will be registered.
WASSIT		1%	Wassit is currently accepting all IDPs. Reports indicate that the number of IDPs entering Wassit is straining the governorate's infrastructure.

\*Only governorates with relevant percentages of IDPs included in detailed updates.

\*\*IOM percentages have been rounded to the nearest whole number.

Source:

IOM, "Emergency Needs Assessment: Post February 2006 Displacement in Iraq," September 1, 2007.

TABLE 2.28



## Refugees

Many Iraqi refugees have sought safety in Iraq's neighboring countries: Syria, Jordan, Egypt, Lebanon, and Iran. Figure 2.33 shows an overview of their emigration.

This quarter, both Syria and Jordan<sup>402</sup> closed their borders to Iraqi refugees.<sup>403</sup> Iraqis who seek residency in Syria or Jordan must now apply for a visa.<sup>404</sup> Syria has reported that 1.5 million Iraqi refugees have already crossed its borders.<sup>405</sup> Iraqis now represent approximately 7.7% of Syria's population.<sup>406</sup> Jordan has accepted 500,000-750,000 Iraqi refugees.<sup>407</sup> Iraqi refugees represent 8-12% of Jordan's population.<sup>408</sup>

Many refugee children are unable to attend school.<sup>409</sup> To address this issue, UNHCR and UN Children's Fund (UNICEF) have established a \$129 million fund to return approximately 155,000 Iraqi refugees in Jordan and Syria<sup>410</sup> to school.<sup>411</sup> The United States has identified \$39 million for this campaign—\$30 million from the ESF Infrastructure Security Protection Program and \$9 million from Emergency Refugee and Migration Assistance.<sup>412</sup>

This year, the U.S. Migration and Refugee Assistance Fund will receive \$14.4 million to provide more aid for Iraqi refugees in Jordan, Syria, and Lebanon.<sup>413</sup> Four international aid agencies have issued an appeal to the United

States for an additional \$84.8 million to help host nations provide basic health and nutrition for Iraqi refugees.<sup>414</sup> The World Health Organization, UNHCR, UN Population Fund, UNICEF, and World Food Programme (WFP) are especially concerned with the conditions in Syria and Jordan.<sup>415</sup> Syria, Jordan, and Egypt have provided refugees with the same access to health care as their own citizens.<sup>416</sup> This has put substantial strain on national resources.<sup>417</sup>

## Human Rights

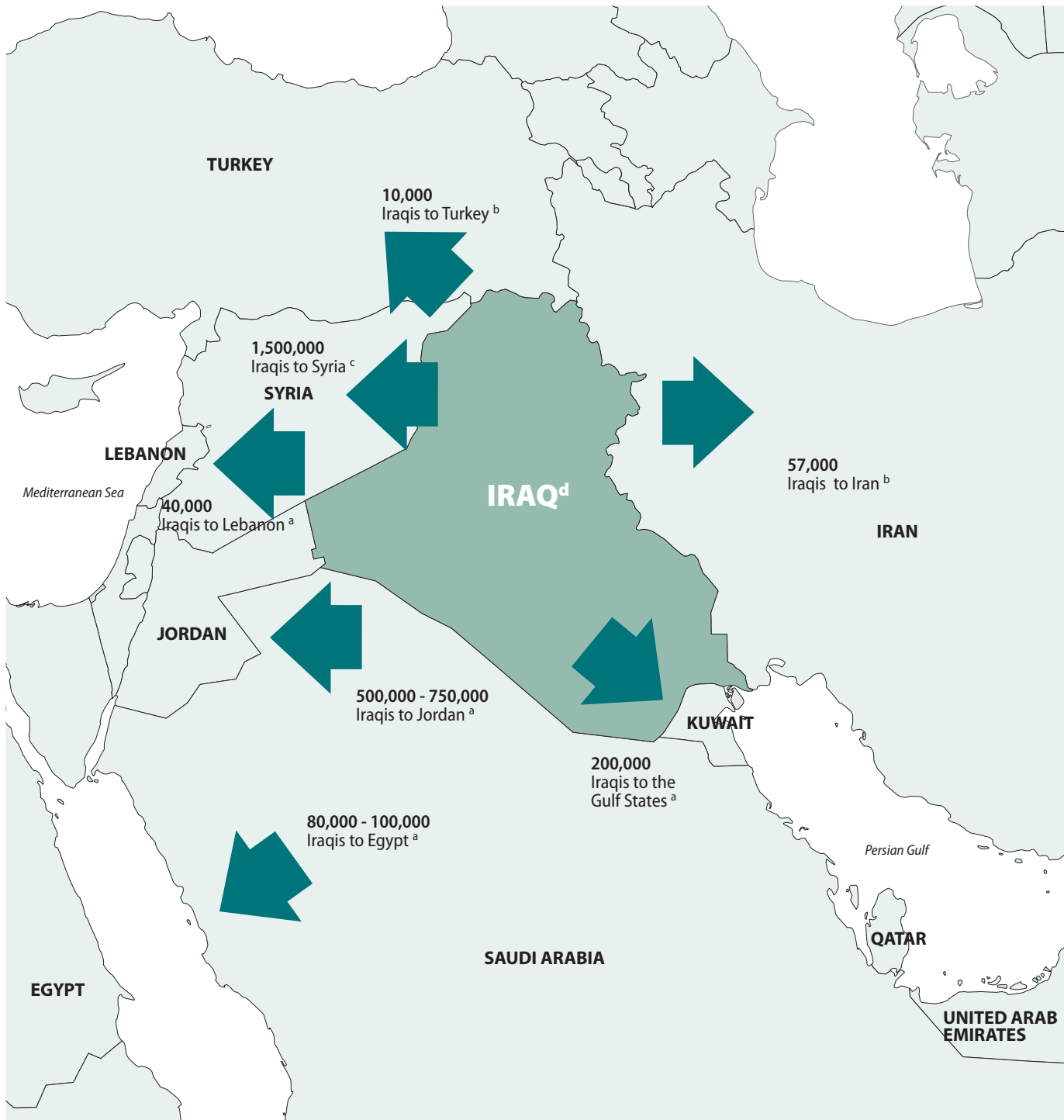
Of the \$15 million allocated for human rights, \$14 million has been expended.<sup>418</sup> According to DoS, the purpose of human rights funding is to "address the atrocities of the Saddam regime and create a climate for the promotion of fundamental human rights and dignity in Iraq."<sup>419</sup>

DoS provided these updates on human rights projects this quarter:<sup>420</sup>

- continued holding human rights workshops in Baghdad and Basrah
- continued producing and broadcasting radio programs on human rights through the al Iraqiya station
- started producing and disseminating the electronic newsletter, *Human Rights Defenders Network* (HRDN)



Figure 2.33



**Notes:**

a. UNHCR, Iraq Situation Map, July 2007.

b. UNHCR, Statistics on Displaced Iraqis Around the World, September 2007.

c. UNFPA, UNHCR, UNICEF, WFP, WHO, "Health Sector Appeal: Meeting the Health Needs of Iraqis Displaced in Neighboring Countries," September 18, 2007.

d. Estimated current population of Iraq: 27,996,000, IOM.





## ESSENTIAL SERVICES

This section updates the progress of Iraq's development in five key areas:

- Electricity
- Oil and Gas
- Water
- Health Care
- Transportation and Communications

### Electricity

In October 2003, the UN/World Bank Iraqi Needs Assessment predicted that Iraq would need \$12.1 billion to rebuild the electricity system. Subsequent assessments put the figure at \$20 billion. Since 2003, the electricity sector has received the second-largest investment of U.S. Iraq reconstruction funds—more than \$4.6 billion.

Electricity production this quarter set a post-war record, averaging approximately 4,550 megawatts (MW) per day, its highest quarterly average since the start of the war. On September 11, 2007, another record was set when the production capacity peaked at 5,530 MW. Furthermore, the Iraqi power grid reached 5,200 MW production capacity every day from early August through the end of September.<sup>285</sup>

In recognition of this important milestone, the U.S. Embassy sent a letter to the GOI, crediting the Ministry of Electricity for this important achievement. According to GRD, sustaining production capacity at 5,530 MW has

the potential to serve approximately 4.9 million Iraqi homes.

In addition to reaching an average monthly production record, on September 16, 2007, the system also hit a record peak load served when it produced 123,000 megawatt-hours (MWh), meeting 60% of nationwide demand. ITAO notes that megawatt-hours is a superior measurement to megawatts because it more accurately measures output over time, which is how consumers experience power usage.<sup>286</sup>

DoS cites five reasons for improved electricity output in Iraq:

- U.S.-funded O&M programs have improved operational efficiencies.
- Recently, new Iraqi generation units and units rehabilitated through U.S.-funded projects have come online.
- The surge of U.S. forces in Iraq has suppressed attacks on infrastructure and repair teams.
- Capacity increases have helped to marginally boost the resiliency of the network.
- Cooler weather allows generators to operate more efficiently.

Despite the recent gains in electricity production, ITAO cautions that elevated production may temporarily decline because scheduled maintenance will take some generators offline. To mitigate generation drops caused by planned



maintenance and to sustain the new baseline production level, the Ministry of Electricity may be assessing the feasibility of re-routing fuel from the power plants that are closed for maintenance to functioning plants that lack fuel.<sup>287</sup> The United States is also working with the Ministry to facilitate the delivery of diesel fuel (\$150 million) that awaits transport from Kuwait to the Mussayib and Qudas power stations.<sup>288</sup>

Providing enough power to Iraqis remains a challenge, even as demand for electricity in Iraq increases. Purchases of air conditioners, refrigerators, and satellite TVs all have increased since 2003. Because the GOI almost entirely subsidizes electricity, Iraqi consumers have little incentive to economize their use of electricity.<sup>289</sup>

Figure 2.34 shows the trajectory of electricity

production in Iraq. For the month of September, the average monthly production was 4,800 MW per day.

In October 2003, the CPA established 6,000 MW per day as the U.S. reconstruction target. This target is shown on Figure 2.34. Moreover, this quarter the IMF released a Statistical Assessment Report with more robust pre-war production measures, as shown in Figure 2.34. This quarter's average monthly production was approximately 500 MW above the IMF pre-war measure of approximately 4,075 MW.<sup>290</sup>

## CHALLENGES

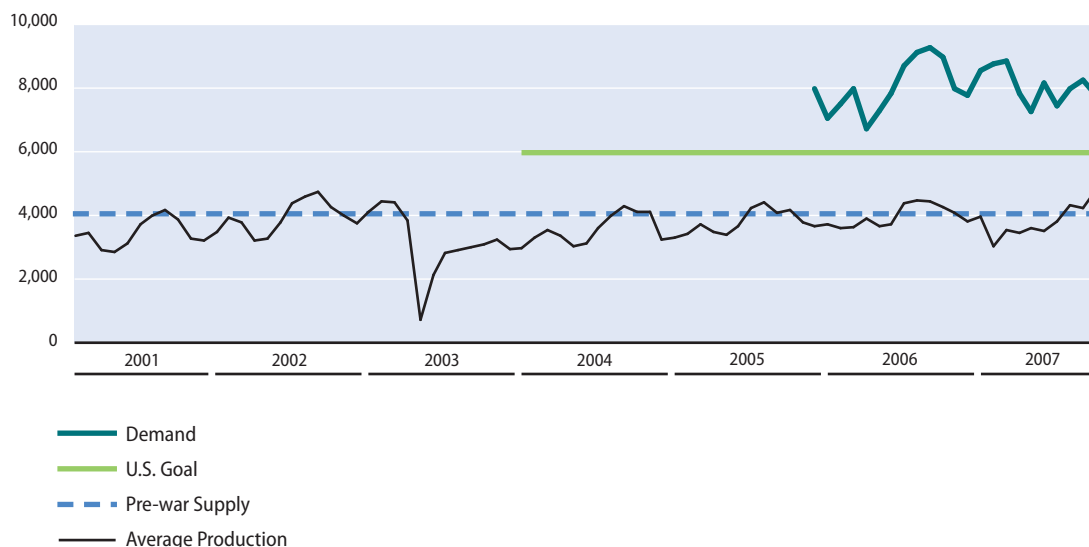
The circular dilemma of fuel demand at power plants and power shortages at oil facilities remains a major challenge for the electricity

Figure 2.34

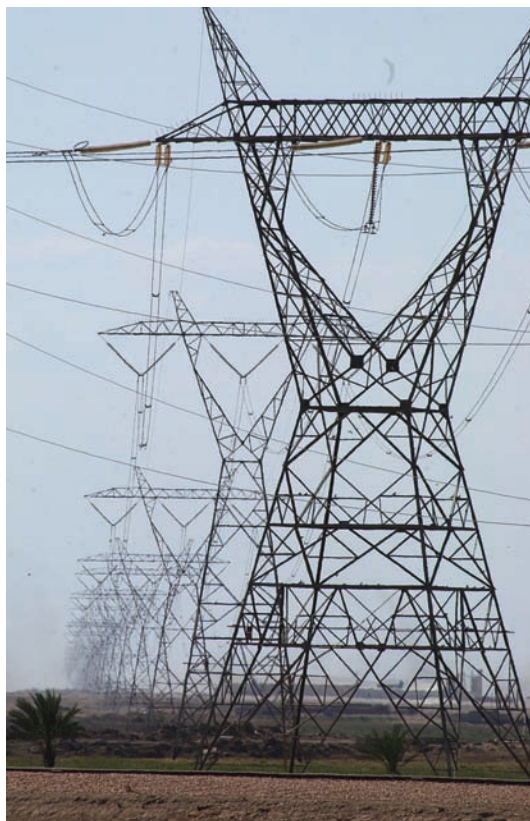
### IMF AVERAGE ELECTRICITY PRODUCTION

Megawatts

Sources: IMF Iraq: Statistical Appendix (August 2007); 2007 Average Electricity: ITAO, *Daily Electricity Report* (1/1/2007 - 9/30/2007)







Regional transmission lines remain vulnerable to attacks and looting.



and oil sectors. The Ministry of Electricity has cited a lack of fuel to run power plants, while the Ministry of Oil has noted a lack of electricity to power the oil refineries. In January 2007, SIGIR reported that solving the fuel and power shortages requires coordination between the two ministries, but subsequent joint discussions have yet to produce a coordinated plan.

This quarter, the Energy Fusion Cell reported that the Ministry of Oil and the Ministry of Electricity entered into a joint venture with Iraq's oil operating companies to capture associated gas (which is otherwise flared into the atmosphere) to be used to power a generation station in North Rumaila.<sup>291</sup> This coordinated action represents a significant first step toward an overarching coordinated national energy plan.<sup>292</sup>

A former Iraqi Ministry of Electricity official recently noted that the U.S. effort to reconstruct the electricity sector complicated power production in Iraq because the United States over-

populated power stations with new generators of different makes, capacities, and technologies, which exacerbated fuel issues.<sup>293</sup> Furthermore, many generating units that the United States purchased and installed remain idle because no suitable fuel is available. If planners had considered coordinating fuel types, quantities, and availabilities before purchasing and installing electricity generators at plants, shortages could have been alleviated, according to the report. While acknowledging the challenge of matching fuel types, quantities and availabilities, U.S. analysts have noted that installment decisions made in 2003 were driven by the need to quickly add new power with limited funding.<sup>294</sup>

In addition to fuel issues, Iraq's centralized electricity system is highly vulnerable to interdictions. Eight regional 400-kV transmission lines are out of service in October because saboteurs attacked large sections of the grid, and looters brought down electricity towers.<sup>295</sup> The



Iraqi Air Force (IAF) has deployed 35 helicopters to provide reconnaissance; however, the IAF is not armed. The IAF patrols intend to provide information so that repair workers are not subject to attack at the sites.

Last quarter, SIGIR reported that provinces producing more electricity than they consume remain reluctant to share electricity with other regions on the grid. The amount of power that the provinces use and the level allocated to the province by the Ministry of Electricity change daily. Table 2.29 shows a snapshot as of October

9, 2007. As the table shows, 14 provinces took a greater share than they were allocated by the Ministry. As Figure 2.35 shows, most provinces are using more than 100% of the power allocated for their usage by the Ministry of Electricity.

Another issue is that many projects have been started and then stopped, adding to project costs. This quarter, the Supervisory Control and Data Acquisition (SCADA) contractor was ordered not to start any new work, to complete any work already in progress, and to close out the SCADA project, producing handover pack-

#### ELECTRICITY ALLOCATION AND USAGE, BY PROVINCE

Governorate	Load Served			Province Allocation MW	% of Province Allocation
	Total MWh	Average MW	Peak MW		
Baghdad	21,685	904	1,050	1,200	75%
Diyala	2,165	90	125	116	78%
Erbil	4,172	174	240	209	83%
Sulaymaniyah	5,475	228	376	236	97%
Wassit	2,915	121	140	120	101%
Ninewa	10,883	453	560	400	113%
Babylon	3,558	148	160	124	119%
Tameem	4,311	180	210	147	122%
Kerbala	2,880	120	130	98	123%
Najaf	3,730	155	185	116	134%
Salah al-Din	5,592	233	260	164	142%
Anbar	4,700	196	240	138	142%
Dahuk	4,268	178	206	111	160%
Thi-Qar	5,515	230	250	138	167%
Basrah	16,460	686	740	400	171%
Missan	2,575	107	125	62	172%
Qadissiya	2,995	125	135	71	175%
Muthanna	2,800	117	125	62	187%

Source: ITAO, *Electric Daily Units Performance Report*, October 9, 2007.

TABLE 2.29



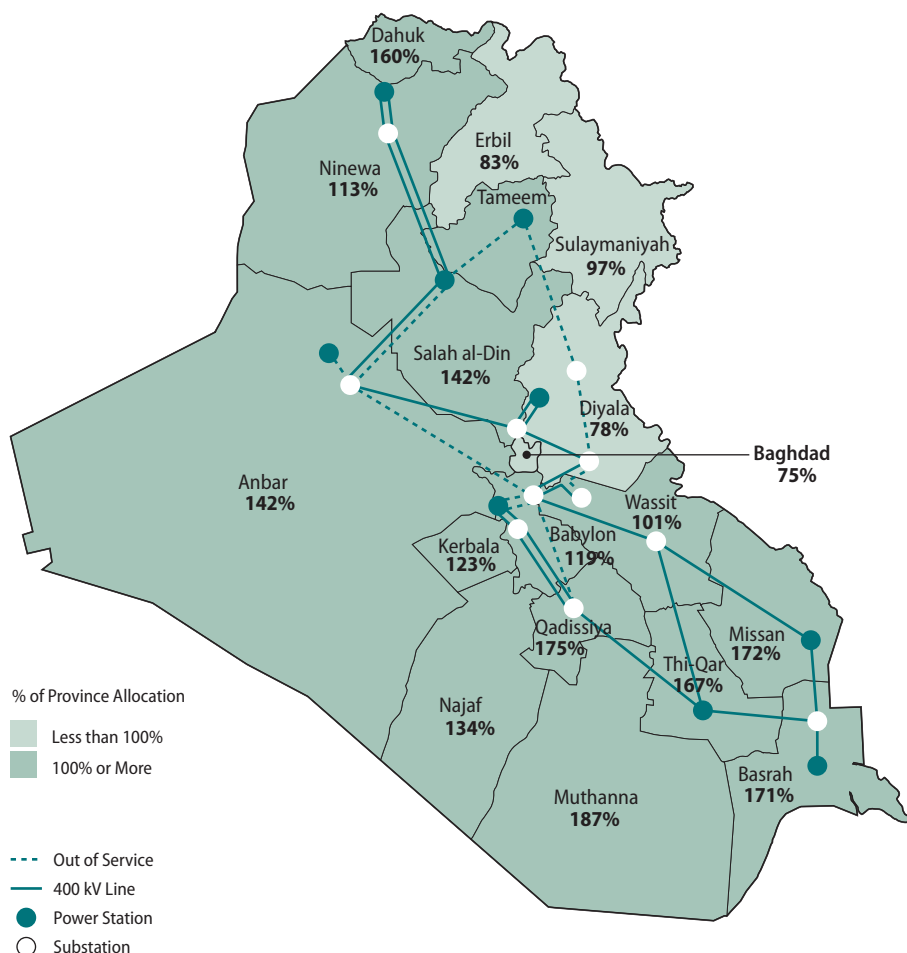
ages for all sites in the project. This decision has been taken to prevent budget overruns but was caused in part by a worsening security situation and many destroyed electrical towers. To date, the contractor was paid nearly \$100 million and completed approximately 86% of the SCADA

project. The Ministry of Electricity is now responsible for completing the installation of equipment and uninstalled items. GRD continues to provide operations and maintenance guidance to the ministry.<sup>296</sup>

Figure 2.35

**STATUS OF 400-kV POWERLINES AND PROVINCIAL POWER ALLOCATION VS. USAGE**

Source: ITAO, *Electric Daily Units Performance Report* (10/9/2007)







## Oil and Gas

The 2003 UN/World Bank Iraqi Joint Needs Assessment did not thoroughly assess the Iraqi oil sector, but the report noted that the CPA estimated that \$8 billion would be needed to rebuild the oil infrastructure in Iraq.

The United States has invested \$1.71 billion in the Iraqi oil sector. Because many variables that cannot be controlled affect actual production, the United States is unable to measure precisely the U.S. contribution to oil production output in Iraq.

Since 2003, the goals for crude oil production in Iraq have changed. In 2003, CPA set a goal to “repair and restore the oil infrastructure to pre-war levels.” The U.S. Department of Energy reported that Iraqi pre-war oil production was

2.58 million barrels per day (MBPD).<sup>297</sup> In January 2007, the Ministry of Oil changed its goal for crude oil production from 2.5 MBPD to 2.1 MBPD because the Al Basrah Oil Terminal (ABOT) was shut down for maintenance and upgrading the meters.<sup>298</sup>

This quarter, oil production averaged 2.16 MBPD, exceeding the Ministry of Oil’s goal of 2.1 MBPD for the first time in 2007. ITAO attributes the increase to a renewal of oil supplies from the Kirkuk oilfields in the north: critical pipelines have been repaired and are in operation. It is important to note, however, that this quarter’s production lags slightly behind the same period last year. Table 2.30 compares this quarter’s production with the same period last year and pre-war levels.

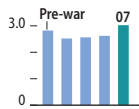

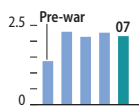

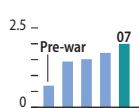

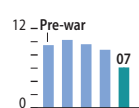

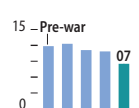





Roadside gas pumps. Shortages of fuel continue to affect all sectors of Iraq’s economy.

# OIL AND GAS



## OIL AND GAS

METRIC	STATUS BY 4TH QUARTER FY 2003 – FY 2007	THIS QUARTER	% CHANGE SPLY	% CHANGE PRE-WAR	STATUS OF RECONSTRUCTION
Oil Production Capacity		3.00 MBPD	20%	7%	Last quarter, production capacity reached 3.00 MBPD, the established GOI short-term goal. Iraq's long-term development plan includes tripling oil production by 2015. The GOI must confront oil production challenges, such as aging infrastructure.
		TREND			
Oil Production Actual		2.16 MBPD	-5%	60%	Crude oil production exceeded the Iraqi ministry goal of 2.1 MBPD for two weeks in August and September—for the first time in 2007.
		TREND			
Export Levels		1.95 MBPD	17%	N/A	Despite only modest increases in crude oil exports over the past few years, revenue from Iraq crude oil exports remains high because the price of crude oil on the world market remains high. This quarter, crude oil exports reached 1.95 MBPD.
		TREND			
Refining Trends—Gasoline		6.05 ML	-31%	-36%	Production of refined fuels—gasoline, diesel, and kerosene—has trended downward since 2004. Diesel and gasoline refinement this quarter continued a downward trend measured against autumn levels of 2004, 2005, 2006, and 2007. The GOI faces challenges in the refining industry that include antiquated equipment, limited maintenance, lack of manpower, spare part shortages, irregular electricity supplies, inadequate storage, and theft.
		TREND			
Refining Trends—Diesel		8.54 ML	-22%	-28%	
		TREND			
Refining Trends—Kerosene		3.48 ML	-16%	-45%	
		TREND			

Source: ITAO, *Monthly Import, Production and Export*, (September 2007).

Note: SPLY denotes Same Period Last Year. MBPD denotes Million Barrels Per Day. ML denotes Million Liters.

TABLE 2.30



Figure 2.36 shows oil production output versus ministry goals since the start of the war.<sup>299</sup>

Last quarter, GRD reported that Iraq met its production capacity goals for natural gas and

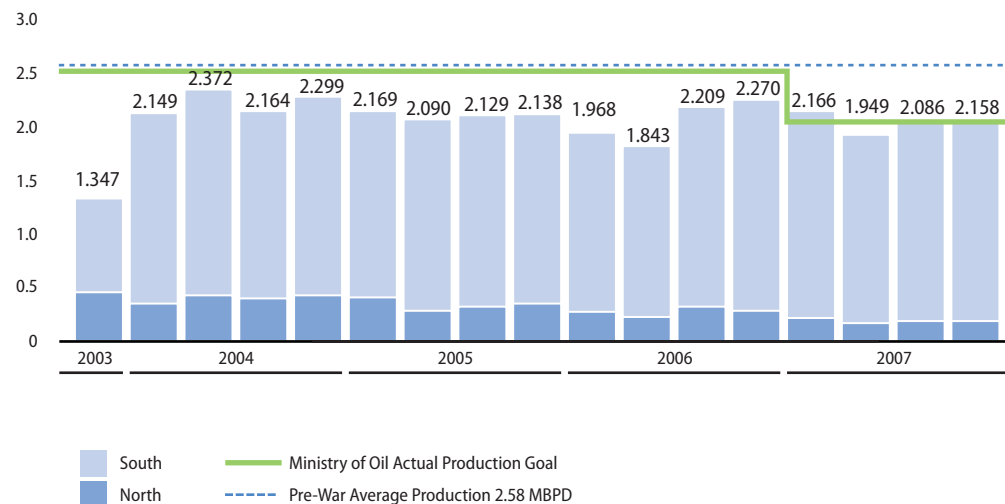
liquefied petroleum gas (LPG). Table 2.31 below shows the production capacity progress made since this period last year.

Figure 2.36

#### CRUDE OIL PRODUCTION BY REGION

Millions of Barrels per Day (MBPD)

Source: ITAO, *Monthly Import, Production and Export* (September 2007).



#### STATUS OF NATURAL GAS AND LIQUEFIED PETROLEUM GAS PRODUCTION CAPACITY

METRIC	STATUS BY QUARTER FY 2006 – FY 2007	THIS QUARTER	% CHANGE SPLY
Natural Gas Production Capacity		800 Thousand Standard Cubic Feet Per Day (MSCFD)	33%
		TREND	↑
Liquefied Petroleum Gas Production Capacity		3,000 Tons Per Day (TPD)	150%
		TREND	↑

Source: GRD, response to SIGIR data call, June 9, 2007.

Note: SPLY denotes same period last year.

TABLE 2.31



### PRICES OF OIL AND REFINED FUELS

Last quarter, the Ministry of Oil raised the price of gasoline, blended gasoline, and diesel in accordance with the IMF Stand-By Arrangement. As Table 2.32 shows, these fuel adjustments represent substantial fiscal gains for the GOI because they 1) eliminate fuel subsidies that have traditionally been part of the government's fiscal year budget, and 2) reduce demand for the remaining subsidized fuel because consumers must pay more for the fuel they are using.

High prices for crude oil continue to push government revenue upwards. Nevertheless, the IMF reports that the Iraqi economy remains susceptible to fluctuations in the price of crude oil.

### STATUS OF HYDROCARBON LAW

Progress toward hydrocarbon legislation remains stalled, despite its high priority to the leadership of the GOI and U.S. government. As SIGIR noted last quarter, hydrocarbon legislation is actually a series of four laws: a framework law that establishes lines of authority for signing contracts, revenue sharing, the creation of a national oil company, and the regulatory role of the Ministry of Oil. Table 2.33 shows the status of these laws.

### CHALLENGES FACING THE OIL SECTOR

Table 2.34 shows the status of two major challenges in the oil sector—protecting pipelines and battling corruption.

PRICE INCREASES FOR REFINED FUELS (\$ PER GALLON)

	SEP. 2005	PRIOR ACTION	3/31/2006		6/30/2006		9/30/2006		12/31/2006		6/30/2007	
			GOAL	ACTUAL	GOAL	ACTUAL	GOAL	ACTUAL	GOAL	ACTUAL	GOAL	ACTUAL
Regular Gasoline	\$0.05	\$0.26	\$0.33	\$0.26	\$0.40	\$0.45	\$0.45	\$0.45	\$0.54	\$0.68	\$0.91	\$1.06
Premium Gasoline	\$0.13	\$0.64	\$0.77	\$0.64	\$0.90	\$0.90	\$1.03	\$0.90	\$1.23	\$0.95	–	–
Blended Gasoline	–	–	–	–	–	–	–	–	–	\$0.95	\$1.21	\$1.36
Kerosene	\$0.01	\$0.06	\$0.13	\$0.06	\$0.19	\$0.19	\$0.23	\$0.19	\$0.31	\$0.20	\$0.45	\$0.61
Diesel	\$0.03	\$0.23	\$0.28	\$0.23	\$0.32	\$0.32	\$0.40	\$0.38	\$0.48	\$0.41	\$1.06	\$1.06

Sources: IMF, Country Report No. 07/115, March 2007; Conversion rates: IMF, response to SIGIR data call, July 19, 2007.

Note: Prices have been converted from Iraqi dinars (ID) per liter to U.S. dollars per gallon. These are the conversion rates used, by date: December 2005—1,474 ID/\$, March 2006—1,476 ID/\$, June 2006—1,477 ID/\$, September 2006—1,475 ID/\$, December 2006—1,391 ID/\$, June 2007—1,250 ID/\$.

TABLE 2.32





STATUS OF HYDROCARBON LEGISLATION

Framework for lines of authority	On August 6, 2007, the Kurdistan Regional Government (KRG) approved its own oil law, signaling that the Kurds are moving forward with their own oil policy. Meanwhile, the KRG and the GOI remain divided on the framework legislation. On July 3, 2007, the Council of Ministers approved a draft version of the framework law, and the legislation was forwarded to the Council of Representatives. Kurdish officials withdrew support for the law based on changes made to the draft, and the legislation remains with the Council of Representatives. DoS reported to SIGIR this quarter “that KRG oil deals do not help negotiations on the hydrocarbon legislative package.”
Revenue sharing	A draft of this law creates two revenue sharing accounts—one to take in external revenue and one to collect internal revenue. According to the draft, regions would receive revenue based on population; the KRG would receive the same 17% payout it takes in now. The draft also includes a plank that establishes a separate KRG account at the Central Bank of Iraq.
National oil company	This law is contingent on the passage of the framework law.
Regulatory role of the Ministry of Oil	This law is contingent on the passage of the framework law.

Sources: DoD, *Measuring Stability and Security in Iraq*, September 2007, p. 13. NEA-I, response to SIGIR data call, October 22, 2007.

TABLE 2.33

STATUS OF CHALLENGES IN THE OIL SECTOR

Protecting pipelines	The Iraqi Air Force (IAF) has deployed surveillance forces (35 helicopters) to report on oil pipeline interdictions. DoS notes that IAF has more success identifying attacks on oil pipelines than on electricity lines. Insurgents are more conspicuous when attacking pipelines because they are forced to dig for pipelines before triggering IEDs.
Corruption	DoD reported that Strategic Infrastructure Battalions (SIBs) and Facilities Protection Service (FPS), the protection forces of the oil sector, are suspected of complicity in smuggling as much as 70% of the output of the Baiji refinery, costing Iraq as much as \$2 billion in revenue per year.

Source: DoS, response to SIGIR data call, October 15, 2007.

TABLE 2.34



The Mosul Dam supplies drinking water, irrigation, flood control, and hydroelectric power to the surrounding region. Access to clean water remains a critical issue across Iraq.



## Water

In 2003, a UN/World Bank assessment estimated that rebuilding Iraq's water and sewerage systems would cost more than \$14.4 billion.<sup>300</sup> IRRF 2 has obligated approximately 93% of its \$2.09 billion for reconstruction of the water system in Iraq. Violence, a lack of trained facility workers, and inadequate maintenance practices impede progress in the water sector.

Because nearly all of the IRRF 2 water funding is expended, CERP funds are playing an ever-growing role in this sector, funding local water projects to connect potable water and sewer lines to homes and businesses in provinces and strategic cities across Iraq. Approximately one-third of all CERP money (\$530 million) has funded water and sanitation projects.

This quarter, SIGIR inspected the largest dam in Iraq—the Mosul Dam on the Tigris River—which the Saddam Hussein government completed in 1984. Because the dam was built on a foundation of soluble soils, the dam requires constant grouting. The U.S. government has been funding short-term solutions to the problems, while the Iraqi Ministry of Water Resources seeks a longer term solution.

Table 2.35 provides a summary of the status of various water metrics.

### STATUS OF U.S. WATER PROJECTS

METRIC	TRENDS									
Output of U.S. Potable Water Projects (Million Cubic Meters per Day)	<table><tr><th>Year</th><th>Output (Million Cubic Meters per Day)</th><th>Goal</th></tr><tr><td>2006</td><td>1.0</td><td>2.4</td></tr><tr><td>2007</td><td>1.2</td><td>2.4</td></tr></table>	Year	Output (Million Cubic Meters per Day)	Goal	2006	1.0	2.4	2007	1.2	2.4
Year	Output (Million Cubic Meters per Day)	Goal								
2006	1.0	2.4								
2007	1.2	2.4								
People Served by U.S. Potable Water Projects (Millions)	<table><tr><th>Year</th><th>People Served (Millions)</th><th>Goal</th></tr><tr><td>2006</td><td>2.0</td><td>8.4</td></tr><tr><td>2007</td><td>2.5</td><td>8.4</td></tr></table>	Year	People Served (Millions)	Goal	2006	2.0	8.4	2007	2.5	8.4
Year	People Served (Millions)	Goal								
2006	2.0	8.4								
2007	2.5	8.4								
Output of U.S. Sewerage Projects (Million Cubic Meters per Day)	<table><tr><th>Year</th><th>Output (Million Cubic Meters per Day)</th><th>Goal</th></tr><tr><td>2006</td><td>1.1</td><td>1.22</td></tr><tr><td>2007</td><td>1.15</td><td>1.22</td></tr></table>	Year	Output (Million Cubic Meters per Day)	Goal	2006	1.1	1.22	2007	1.15	1.22
Year	Output (Million Cubic Meters per Day)	Goal								
2006	1.1	1.22								
2007	1.15	1.22								
People Served by U.S. Sewerage Projects (Millions)	<table><tr><th>Year</th><th>People Served (Millions)</th><th>Goal</th></tr><tr><td>2006</td><td>5.1</td><td>5.2</td></tr><tr><td>2007</td><td>5.2</td><td>5.2</td></tr></table>	Year	People Served (Millions)	Goal	2006	5.1	5.2	2007	5.2	5.2
Year	People Served (Millions)	Goal								
2006	5.1	5.2								
2007	5.2	5.2								

Source: DoS, response to SIGIR data call, October 18, 2007.

TABLE 2.35



## Health Care

Health care issues continue to be a significant concern to the Iraqi government. The movement of internally displaced persons, combined with the challenges of restoring water supplies and sewerage, poses significant health risks. The infrastructure and facilities intended to meet these risks have been a key focus of both Iraqi and U.S. reconstruction efforts.

### CHOLERA

A cholera outbreak in northern Iraq has caused great concern in Kurdistan; the Prime Minister has dedicated \$50 million to respond to this outbreak.<sup>301</sup> All public water systems in the affected areas have been chlorinated.<sup>302</sup> In addition, provincial health authorities in Iraq have taken these actions:<sup>303</sup>

- performed a risk assessment
- developed water safety and sanitation programs
- enhanced the surveillance system for indicator symptoms
- improved coordination and information flow
- regulated clinical case management
- mobilized medical and other essential supplies
- activated social mobilization and health education campaigns

Both the World Health Organization (WHO) and UNICEF have taken steps to provide cholera aid. UNICEF has donated 4,000 needles and cannulae and has delivered 15,000 sachets of Oral Rehydration Salts, which are “critical to prevent death from dehydration caused by severe diarrhea.”<sup>304</sup> WHO has deployed two epidemiologists to assist the Ministry of Health and plans to contribute five million water tablets to the effort.<sup>305</sup>

### PRIMARY HEALTHCARE CENTERS (PHCS)

The United States has funded 142 PHCs. As of October 10, 2007, 80 PHCs have been completed, and 37 have been accepted by the Ministry of Health. Of the 56 PHCs still under construction, 54 are scheduled for completion by March 2008.<sup>306</sup> GRD estimates that the final two PHCs will be completed in FY 2009.<sup>307</sup>

Six PHCs have been deprogrammed since the start of construction because they were bombed.<sup>308</sup> This quarter, in Anbar province, two of these facilities were reprogrammed.<sup>309</sup> Table 2.36 shows the status of PHC construction.

NEA-I reports that the lack of infrastructure to support operations and maintenance has contributed to delays in opening PHCs.<sup>310</sup> Openings have also been hampered by the significant loss of medical staff. Since 2003, the number of doctors in Iraq has dropped from 24,000 to 14,000.<sup>311</sup>



## STATUS OF THE PRIMARY HEALTHCARE CENTERS

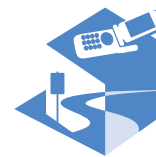
STATUS OF PHCs	NUMBER OF PHCs
Completed and Open to Public	29
Completed, Not Accepted by Ministry of Health	14
Completed, Accepted by Ministry of Health	37
Under Construction: 90-100% Completed	35
Under Construction: 75-90% Completed	14
Under Construction: Less than 75% Complete	7
Deprogrammed	4
Reprogrammed	2
<b>Total Funded PHCs</b>	<b>142</b>

Source: GRD, response to SIGIR data call, October 10, 2007.

TABLE 2.36

## BASRAH CHILDREN'S HOSPITAL

This quarter, steady progress continued in the construction of the Basrah Children's Hospital. The hospital is now 66% complete and scheduled to open in January 2009. The construction project is valued at \$163 million. The average number of Iraqis working on this project is expected to increase from 750 to 1,000 per day, according to DoS.<sup>312</sup>



## Transportation and Communications

More than 86% of U.S.-funded transportation and communications projects are complete. Table 2.37 shows the status of these projects for this quarter.

### KEY UPDATES IN TRANSPORTATION

#### Aviation

As of October 3, 2007, Iraqi airports reported a decrease in the number of takeoffs and landings per week—from 2,389 last quarter to 2,243 this quarter.<sup>313</sup>

Work continues on the **Basrah International Airport (BIA)**. As of October 9, 2007, six projects have been completed, and five are in progress.<sup>314</sup>

- **BIA Communications** (estimated completion: December 20, 2007)

- **BIA Terminal and Tower Renovation** (estimated completion: January 1, 2008)
- **New Radar for BIA** (estimated completion: February 14, 2008)
- **Renovate BIA Water System** (estimated completion: February 28, 2008)
- **Upgrade and Rehab BIA Navigational Aids (NAVAIDS)** (estimated completion: March 1, 2008)

To improve airport security, more than 7,139 **Baghdad International Airport (BIAP)** employees have taken part in biometric and badging programs. Three new stations have been opened, and new staff have been hired to speed the biometric and badging enrollment process.<sup>315</sup>

In April 2007, SIGIR issued an inspection of the **BIAP Power System Enhancement project**, a project valued at \$11.8 million. The purpose of the inspection was to determine whether

### STATUS OF U.S.-FUNDED TRANSPORTATION AND COMMUNICATIONS PROJECTS

	NOT STARTED	ONGOING	COMPLETED	TOTAL
Roads and Bridges	78	112	1,325	1,515
Transportation—Other	12	38	294	344
Communication Equipment	21	11	180	212
Railroad Stations	1	3	115	119
Airports	3	21	40	64
Expressways	6	13	21	40
Postal Facilities	1		37	38
Ports			29	29
Outside Plant	3	1	9	13
Infrastructure Security	4	3	4	11
<b>Grand Total</b>	<b>129</b>	<b>202</b>	<b>2,054</b>	<b>2,385</b>

Sources: IRMS, Global Benchmark, October 12, 2007; USAID, *Activities Report*, October 15, 2007.

TABLE 2.37



CERP-funded road construction.

the projects were operating at the capacity established by the original contract or task order.<sup>316</sup> SIGIR inspectors found that 10 of the 17 new generator sets used in the power system enhancement were not operational in March 2007.<sup>317</sup> As of October 17, 2007, DoS reports that all 17 are operational.<sup>318</sup>

### Railways

Security issues continue to hamper operations of the Iraq Republic Railway (IRR) between Falluja and Ramadi.<sup>319</sup> The continuing violence has affected “crew starts, train movements,

ordinary track maintenance, and bridge repairs at various locations.”<sup>320</sup> The IRR Superintendent reported that although 178 people were on payroll records, only 20 of these employees were working regularly.<sup>321</sup>

IRR has been working with MNF-I to use the Iraqi railroad to deliver heavy fuel oil to regional power plants.<sup>322</sup> Some delivery agreements have already been made, but several routes, including the route between the Baiji Refinery and Ramadi, are still involved in contracting agreement negotiations.<sup>323</sup>





### Roads and Bridges

The United States has funded more than 1,000 road and bridge projects to date.<sup>324</sup> Seven U.S.-funded road and bridge projects were completed this quarter, according to GRD.<sup>325</sup> Table 2.38 shows the U.S.-funded road and bridge projects completed this quarter.

This quarter, SIGIR inspectors reviewed two road paving projects in Ninewa—the Showairrej to Tak Harb Road Paving project (\$1.4 million) and the Bartilla New Road Paving project (\$.148 million).<sup>326</sup> Both projects were found to be in compliance with contract requirements. For more information on these audits, see Section 3 of this Report.

Work on the **Baghdad-Kirkuk Highway Project** continues. The northern component of the project is 22% complete, and the southern component is 8% complete.<sup>327</sup> The project will be upgraded to four lanes by December 2008. The Ministry of Construction and Housing is executing this project through a grant agreement

with the United States. When the contractor on the project reaches predetermined milestones, the United States provides reimbursement to the Ministry, which is responsible for paying the contractor.<sup>328</sup>

Although the progress of construction of roads and bridges remains steady, attacks on infrastructure continue. This quarter, the Grand Canal at Tiji lost its southbound bridge in an attack.<sup>329</sup>

### Shipping and Ports

The last ongoing U.S.-funded reconstruction project at the Port of Umm Qasr, the **Nelcon Crane Refurbishment Project**, is nearing completion. The **Power to Nelcon Cranes** part of the project is 97% complete, and the **Installation of Nelcon Cranes** project is 88% complete.<sup>330</sup> Until recently, the cranes have not been functioning because the General Company for Ports of Iraq (GCPI) had not supplied the new batteries required for operation.<sup>331</sup> GRD informed

#### ROAD AND BRIDGE PROJECTS COMPLETED THIS QUARTER

PROJECT COMPLETED	PROJECT TYPE	COMPLETION DATE
Rural Road between Showairrej and Tak Harb	Village Roads	7/3/2007
Road between Mosul and Baghdad	PRDC	7/4/2007
Baiji PP Access Road and Gate	Village Roads	7/8/2007
Sadr Al Yousefiyah Road Repair	Village Roads	7/11/2007
Overlay Main Road	Village Roads	8/5/2007
Road between Tala Al Thawayal and Ghayda Road	Village Roads	8/17/2007
Main Roads in Diwaniya City	PRDC	8/20/2007

Source: GRD, response to SIGIR data call, October 9, 2007.

TABLE 2.38



the Embassy that if GCPI failed to provide the batteries, the Nelcon Crane Project will be terminated for convenience, and the south port of Umm Qasr will have no container capabilities.<sup>332</sup> As of October 17, 2007, generators were reportedly operational and in good condition. GRD is arranging for contractors to complete their projects.<sup>333</sup>

The **Roll On-Roll Off (RO-RO) berth project** at Umm Qasr, valued at \$2.7 million,<sup>334</sup> was completed on September 14, 2007,<sup>335</sup> after several delays.<sup>336</sup> A RO-RO berth allows ships to berth quickly and to offload cargo without the use of cranes.<sup>337</sup> The GCPI has accepted the new RO-RO berth, and will be responsible for lighting, AC pavement, and facilities to expedite the unloading of RO-RO goods.<sup>338</sup>

## KEY UPDATES IN COMMUNICATIONS

In August 2007, three companies won bids for cell phone licenses. Each company bid \$1.25 billion for its license, an amount that each has had difficulty paying.<sup>339</sup> Since the awards were issued, one of the firms lost its license.<sup>340</sup> According to ITAO, the licensing auction has triggered “a period of instability,” in the telecom market which will last at least until early 2008.<sup>341</sup>

Thirty-three IRRF-funded projects focusing on the modernization of the **Iraq Telecommunications and Postal Commission (ITPC)** are complete.<sup>342</sup> The Diwaniya Post Office, finished on September 9, 2007, was the final ITPC postal facility project to be completed.<sup>343</sup>

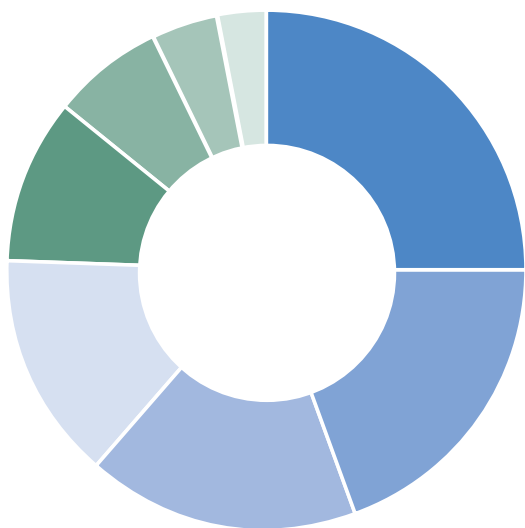
The **Wireless Broadband Network**, part of the Iraqi Telecommunications System project, is scheduled for transfer to the Ministry of Communications in October 2007.<sup>344</sup> ITAO’s Office of Communications is facilitating the transfer, and a number of private companies have voiced interest in running the wireless network for profit.<sup>345</sup>

The **switching facility at Al-Maimouna** (Al Mamoon), also part of the Iraqi Telecommunications System project, was originally scheduled for completion in September 2007. Last quarter, SIGIR reported that the completion date for this \$26.6 million facility had been changed to February 2008, and the project was 22% complete.<sup>346</sup> This quarter, GRD reports that the project is 27% complete and estimates a completion date of February 10, 2008.<sup>347</sup>

At the Iraq Telecoms Conference in London, the Minister for Communications expressed his intention to create a **Telecommunications Master Plan** for Iraq. ITAO’s Office of Communications will work with the Ministry to ensure that PRT telecommunication developments are consistent with existing national telecommunication plans. ITAO predicts that “it is likely that the result of the Plan will be the privatization of SCIS [State Company for Internet Services], and clearer management and funding processes for ITPC as the responsible agent for the core fiber infrastructure.”<sup>348</sup>



# INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION



section

2c



## INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

Since the July 2007 Quarterly Report, there have been no additional pledges announced by international donors for Iraq reconstruction. There have, however, been additional commitments and disbursements.<sup>349</sup>

Based on data from the Development Assistance Database (DAD), commitments increased by \$265.79 million since last quarter, and disbursements are up \$1.05 billion. International donors currently are funding 242 active projects in Iraq, with 23 projects in the pipeline.<sup>350</sup>

This quarter, the United Nations (UN) hosted a meeting on September 22, 2007, between Iraq and the international community to review a new blueprint to rebuild Iraq. The ministerial session, which was co-chaired by the UN Secretary-General and the Iraqi Prime Minister, included participants from the international community. They discussed strengthening the UN presence in Iraq and considered the role of the International Compact with Iraq, which aims at stabilizing Iraq by improving the political, economic, and security arenas throughout the country.<sup>351</sup>

### Status of the International Compact with Iraq

The International Compact with Iraq (the Compact), a five-year recovery plan that provides benchmarks and shared commitments for Iraq and the international community, presents a

framework for the international community to support the priorities depicted in Iraq's National Vision.<sup>352</sup> On July 20, 2007, the first progress report on the implementation of the Compact was released at the UN.

The Compact's Joint Monitoring Matrix (JMM) sets out action items and schedules for the GOI. The JMM lists the socio-economic benchmarks that the GOI has committed to and provides a mechanism for monitoring the implementation of the commitments made under the Compact.<sup>353</sup> Although the Compact is meant to shape the future of donor assistance, no specific donor pledge amounts or debt relief incentives are tied to meeting the benchmarks.

The JMM provides benchmarks/action items for:

- Legislative Program
- National Reconciliation and Dialogue
- Public Resource Management
- Institutions and Improving Governance
- Economic Reform
- Human Development and Human Security
- Energy
- Agriculture<sup>354</sup>

More than half of the activities under the Compact’s JMM are reported to be on track.<sup>355</sup> For a breakdown of the open actions, see Table 2.39. For a sample listing of actions, see Table 2.40.

ACHIEVEMENTS AND CHALLENGES

Although some progress has been made toward meeting the Compact’s benchmarks, serious challenges still impede progress. The GOI identifies these critical challenges:

- insurgent and terrorist activity

- high levels of corruption and an immature accountability framework
- divided positions on the presence of international forces in Iraq
- inconsistent and unpredictable development assistance
- loss of qualified and experienced professionals<sup>356</sup>

COMPACT: STATUS OF OPEN ACTIONS

STATUS	NUMBER	% OF TOTAL
In Progress, On Track	169	61%
In Progress, Delayed	28	10%
Due To Start, Delayed	26	9%
Not Yet Due To Start	26	9%
Not Yet Reported	28	10%
Total	277	100%

Source: GOI, “The International Compact with Iraq 2007 Mid-Year Progress Report,” July 20, 2007, p. 9.

- Notes:
- Data not formally reviewed, audited, or verified.
  - Percentages are affected by rounding.

TABLE 2.39

# INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

## COMPACT: SAMPLE LISTING OF ACTIONS FROM JMM

SECTION	BENCHMARK/ACTION	STATUS
Legislative Program—Progress Legislative Program	By end 2007: Agree on legislative timetable.	Completed
Legislative Program—Progress Legislative Program	By end 2007: Form a Constitutional Review Committee.	Completed
National Reconciliation and Dialogue Program	Form national head committee that contains representatives from the three authorities, the state minister of the national dialogue, and representatives from the parliamentary states.	Completed
National Reconciliation and Dialogue Program	The head national committee forms sub-committees in the governorates to take over the tasks of the committee to expand the reconciliation horizontally.	In Progress, On Track
National Reconciliation and Dialogue Program	Form field committees to put horizontal cultural and media conceptions, follow up on the process of reconciliation, and evaluate stages.	In Progress, On Track
Public Resource Management—Oil Revenues	By 2007, develop a framework for the sharing of the benefits of oil, integrated into the budget process and consistent with the Constitution (Priority Action). This framework must be: transparent and equitable; financially sustainable financing at all levels of government; mindful of legacies of the past and differences in levels of development; properly compensating the producing regions and governorates; supported by appropriate organization structures; and consistent with appropriate accounting and administrative systems.	In Progress, On Track
Public Resource Management—Public Financial Management (PFM)	During 2007, operationalize an enhanced sector-wide and cross-cutting consultation and coordination framework.	In Progress, On Track
Public Resource Management—Public Financial Management (PFM)	During 2007, undertake and complete a functional review of the Ministry of Planning and Development Cooperation as provided for in the Public Financial Management Law (Priority Action)	In Progress, Delayed

Source: GOI, "The International Compact with Iraq 2007 Mid-Year Progress Report," July 20, 2007, Annex 1, p. 1, Annex 2, p. 1, and Annex 3, pp. 1-5.

### Notes:

1. Data not formally reviewed, audited, or verified.
2. Listing is a sample of actions and should not be construed as an all-inclusive list or key action list.

TABLE 2.40

## United Nations Support

The September 2007 UN meeting emphasized the UN's key role in advancing Iraq's national reconciliation. Participants discussed Security Council Resolution 1770,<sup>357</sup> which extended the UN Assistance Mission for Iraq (UNAMI) for an additional 12 months.

The resolution expanded the mission's mandate to "advise, support, and assist 'as circumstances permit'" the GOI and Iraqi people on:

- making progress on the national reconciliation and dialogue program
- building methods for holding elections
- evaluating the Constitution and assisting in the implementation of its provisions
- aiding with regional discussion on issues, such as border security, energy, and refugees
- assisting with preparation and monetary funding of reintegration programs
- setting up the completion of a thorough census<sup>358</sup>

A modest increase in the number of UN staff in Iraq is expected, but any increase in the UN presence in Iraq will most likely be contingent on the security situation.<sup>359</sup>

On October 15, 2007, the UN Secretary-General issued the first report under Security Council Resolution 1770. According to the report, since June 2007, UNAMI's activities included:

- participating in a Baghdad meeting on September 9, 2007, with Iraq's neighbor states to prepare for the ministerial-level meeting
- discussing the constitutional review process with Iraqi political leaders

- working with the Board for Independent High Electoral Commission to develop a capacity-building program, which will be funded through the International Reconstruction Fund Facility for Iraq (IRFFI)
- observing the selection of the directors of the 19 Governorate Electorate Offices and ultimately issuing a report on the selection process, at the invitation of the GOI
- advising the Electoral Commission on required steps to convert the Public Distribution System database into a voter registry
- releasing a human rights report on October 11, 2007<sup>360</sup>

A ministerial meeting is scheduled for early November in Istanbul to discuss the future of UN involvement in Iraq.<sup>361</sup>

## Update on World Bank/IMF Projects and Initiatives

The World Bank and International Monetary Fund (IMF) have provided assistance to Iraq to help advance the reconstruction effort. The World Bank has given Iraq aid to develop social services through its International Development Association (IDA), and the IMF has offered support for economic advancements through a Stand-By Arrangement (SBA).

During his visit to Iraq in August, the IG met with the two World Bank personnel permanently assigned to Iraq. Increasing the World Bank contingent on the ground in Iraq would greatly help to realize the potential policies still pending on its agenda.

# INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

## WORLD BANK

The World Bank has approved four projects through its IDA loans, totaling \$399 million.<sup>362</sup> The World Bank uses IDA to help the world's poorest countries. IDA lends money on concessional terms through its loans; these credits have no interest charge, and repayments are stretched over 35-40 years, including a 10-year grace period.<sup>363</sup>

IDA loans focus on basic social services—education, electricity, transportation, and water supply. Two of the projects—Third Emergency Education Project and Emergency Road Rehabilitation Project—became effective on October 15, 2007. Since last quarter, there has also been progress toward implementing the remaining two projects.<sup>364</sup> For details for each of the approved projects, see Table 2.41.

WORLD BANK IDA LOANS TO IRAQ (\$ MILLIONS)

NAME	IDA AMOUNT	APPROVAL DATE	IMPLEMENTING AGENCY	DESCRIPTION	STATUS
Third Emergency Education Project	\$100	November 2005	Ministry of Education	Finances the construction of approximately 82 new primary and secondary schools in 15 governorates. The project will directly benefit about 57,000 students.	Became effective on October 15, 2007.
Emergency Road Rehabilitation Project	\$135	June 2006	Ministry of Construction and the KRG Directorate for Roads and Bridges	Will rehabilitate and reconstruct highways and village access roads, and replace approximately three floating bridges with permanent structures in central and southern Iraq.	Became effective on October 15, 2007.
Dokan and Darbandihkan Emergency Hydropower Project	\$40	December 2006	KRG Ministry of Electricity	Part of Iraq's overall Electricity Master Plan, providing electricity in the Kurdistan region and to the interconnected national grid. The project will directly impact approximately 490,000 households and provide benefits for industrial consumers.	Not yet effective. A financing agreement has been ratified, and the legal opinion is expected. The primary contract (evaluation of rehabilitation requirements) was ready in May 2007 but could not be signed because credit was not yet effective. Since retroactive financing is allowed, \$.17 million has been paid and the assessment has begun.
Emergency Electricity Reconstruction Project	\$124	March 2007	Ministry of Electricity	Aims to restore the base-load generation capacity of the Hartha Power Station and build capacity in the Ministry of Electricity.	In September 2007, a contract was granted for evaluating bids for the rehabilitation works; work has already begun under this contract. The rehabilitation contract is projected to be ready by the end of October. A financing agreement has not yet been ratified.
<b>Total</b>	<b>\$399</b>				

Source: IRFFI, *World Bank Operations in Iraq Data Sheet*, September 30, 2007.

Note: Data not formally reviewed, audited, or verified.

TABLE 2.41

## INTERNATIONAL MONETARY FUND (IMF)

The IMF works to promote global monetary cooperation, obtain financial stability, support international trade, advance high employment and sustainable economic growth, and lessen poverty. In 2005, the IMF entered into a Stand-By Arrangement (SBA) with Iraq to help advance the country's macroeconomic and financial sector reforms. This has been the most effective international agreement involving Iraq from an economic perspective in that the SBA benchmarks have already fostered meaningful economic change in Iraq.

### IMF Stand-By Arrangement

On December 23, 2005, Iraq signed an SBA with the IMF, providing for loans of up to \$727.4 million.<sup>365</sup> An SBA is a credit agreement that allows a country to borrow up to a specified amount to deal with short-term balance of payment problems. Under an SBA, the IMF reviews the economic indices to determine whether the country has made progress toward structural reforms.<sup>366</sup>

To date, the IMF has performed five reviews of the SBA with Iraq. The most recent review, concluded in August 2007, reported progress in:<sup>367</sup>

- continuing the phased adjustment of official fuel prices, including raising the domestic fuel prices on July 1, 2007
- reducing fuel shortages by issuing about 20 licenses to private importers
- beginning to develop a strategy for medium-term tax reforms, with technical assistance from international partners

- improving public financial management
- managing the exchange rate to decrease inflation
- expanding coverage of the new payment system
- implementing the memorandum of understanding for the bank restructuring program
- raising the policy interest rate by the Central Bank of Iraq (CBI)<sup>368</sup>

According to the fifth progress report, the political and security situation and volatile oil prices pose significant risks for Iraq's economic prospects. Iraq's key challenges are to increase economic growth and further reduce inflation. To meet these challenges, it is necessary to:

- increase investment, especially in the oil sector
- continue macroeconomic policies to bring inflation down
- move ahead with priority structural reforms<sup>369</sup>

The IMF Executive Board recently noted that Iraq has kept its economic program on track despite the troubling political situation and tough security environment. However, the development of oil production is lagging and overall inflation remains high. The IMF believes that the economic future of Iraq "hinge[s] critically" on enhancements in the security environment.<sup>370</sup> The IMF Executive Board approved an extension of the SBA through December 28, 2007.<sup>371</sup>

Negotiations for the SBA successor arrangement are expected to begin during the fall. The



aim of the successor arrangement is to achieve macroeconomic stability, continue the economic reform program, and complete the third and final stage of the 2004 Paris Club debt reduction agreement.<sup>372</sup>

## UPDATE ON BANK RESTRUCTURING PROGRAM

A Memorandum of Understanding (MOU) between the Minister of Finance and the CBI directs the operations of the two largest state-owned banks, Rafadain and Rasheed. The MOU's restructuring initiatives are based on directives by the World Bank and the IMF.

Support from the U.S. Department of Treasury in this area includes:

- re-stating the 2006 balance sheet for Rafadain and Rasheed
- providing assistance to identify and clarify foreign debt, inherited losses, and reserves
- assisting in the selection of an external audit firm; for both Rafadain and Rasheed
- aiding in the valuation of assets, liabilities, and credits
- completing policy and procedures, job descriptions, and organizational design table to assist the banks
- advising on additional areas as requested, such as: accounting disciplines, banking operations, information technology, legal issues, government treasury, credit, and training requirements<sup>373</sup>

During December 2007, a conference will be held to discuss the financial and operational requirements remaining to complete the bank restructuring. Representatives of Iraq's

state-owned banks, the CBI, the IMF, and the World Bank will be attending the conference in Jordan.<sup>374</sup>

## Grants and Loans from International Donors

The Ministry of Planning and UN Development Programme (UNDP) developed the DAD to record donor assistance, analyze donor activities, and monitor the implementation of donor-funded projects. The donors are the main source for data recorded in the DAD. Donors provide information to the Ministry of Planning to populate the DAD, but there is no standard timeframe for donors to provide updates.<sup>375</sup>

Of the \$18.38 billion pledged, \$696.5 million comes from the framework of the Compact. There have been no additional pledges made under the Compact since last quarter. Together, the top ten international donors represent more than 90% of the total international funds pledged, but these same donors represent only 61% of the total international funds disbursed. Five of these top ten donors have not yet disbursed any of their pledged funding. For details of pledges and disbursements made by the top ten donors, see Figure 2.37.

For the breakdown of donor assistance by country and organization, of donor assistance, see Table 2.42.

At the end of 2004, the GOI owed an estimated \$120 billion to the international community and private creditors. Iraq's creditors have written off \$31 billion through debt agreements with Iraq, which brought the GOI's external debt down to \$89 billion as of December 2006.<sup>376</sup> Since January 2007, four countries

have promised an additional \$21 billion in debt relief.<sup>377</sup> There has been no additional debt relief announced since last quarter. The GOI is working with lender countries to establish time-lines to achieve the full range of debt forgiveness promised thus far through the Compact.<sup>378</sup>

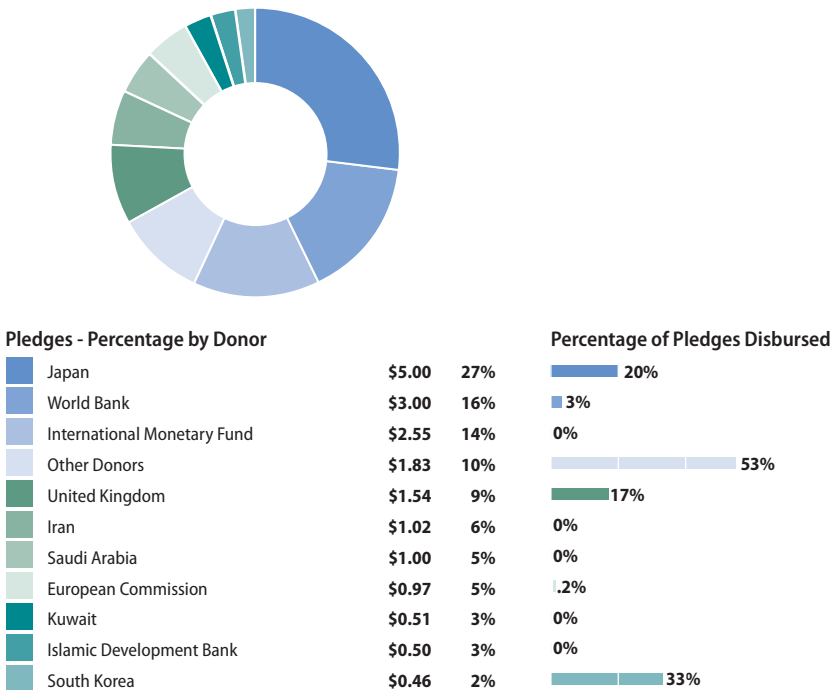
During October 2007, the National Bureau of Economic Research issued a report on the financial impact of the military surge in Iraq. The

report examined the price of Iraqi state bonds in the world financial markets. These bonds are being serviced by the GOI. The report found that after the surge, the Iraqi bond yield increased by 115 to 170 basis points; this corresponds to an increase of approximately 40% in the expected annual probability of default for Iraqi bonds traded on the world’s financial markets.<sup>379</sup>

Figure 2.37

INTERNATIONAL DONORS - PLEDGES AND DISBURSEMENTS

\$ Billions, Total Pledges \$18.38 Billion  
Source: See sources for “Donor Grants and Loans to Iraq” table on next page.



Notes:  
1. Numbers are affected by rounding.  
2. Excludes U.S. funding.  
3. Disbursements based on DAD reporting.

# INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

## DONOR GRANTS AND LOANS TO IRAQ (U.S. DOLLARS)

DONOR	PLEGGED <sup>a</sup>	COMMITTED <sup>b</sup>	CHANGE FROM JULY 2007 QUARTERLY REPORT	DISBURSED <sup>b</sup>	CHANGE FROM JULY 2007 QUARTERLY REPORT
Australia	\$104,168,111	\$40,253,296	-	*	-
Austria	5,700,000	*	-	*	-
Belgium	11,815,789	3,803,351	-	\$2,473,396	-
Bulgaria	1,300,000	*	-	*	-
Canada	286,085,242	178,238,910	-	106,082,427	-
China	38,000,000	*	-	*	-
Croatia	333,000	*	-	*	-
Cyprus	120,000	*	-	*	-
Czech Republic	14,700,000	*	-	*	-
Denmark	103,082,297	18,042,189	-	3,135,259	-
Estonia	80,000	*	-	*	-
Finland	8,834,500	8,835,000	\$500	*	-
France	32,288	32,288	-	*	-
Germany	12,820,513	807,660	-	586,276	-
Greece	5,414,458	3,614,458	-	*	-
Hungary	1,667,005	*	-	*	-
Iceland	3,200,000	2,700,000	-	*	-
India	11,000,000	10,000,000	2,500,000	*	-
Iran	1,020,000,000	*	-	*	-
Ireland	3,534,300	1,234,568	-	*	-
Italy	435,000,000 <sup>c</sup>	35,732,540	-	5,266,564	-
Japan	5,000,000,000	1,527,551,666	(2,092,000)	1,022,339,900	(\$2,092,000)
Jordan	1,500,000	75,000	-	*	-
Kuwait	516,200,000	10,000,000	-	*	-
Lithuania	30,000	*	-	*	-
Luxembourg	2,563,298	2,323,298	-	*	-
Malta	270,000	*	-	*	-
Netherlands	21,929,596	15,929,596	-	2,482,916	-
New Zealand	7,178,378	3,378,378	-	*	-
Norway	24,018,692	23,186,046	-	8,465,164	151,253
Oman	3,000,000	*	-	*	-
Pakistan	2,500,000	*	-	*	-
Portugal	600,000	*	-	*	-
Qatar	100,000,000	5,000,000	-	*	-
Russia	8,000,000	*	-	*	-
Saudi Arabia	1,000,000,000	*	-	*	-
Singapore	1,700,000	*	-	*	-
Slovenia	420,000	*	-	*	-
South Korea	460,000,000	234,745,929	66,411,302	149,333,041	17,315,584
Spain	270,000,000	188,406,287	-	62,251,729	-
Sri Lanka	75,500	*	-	*	-
Sweden	58,424,464	67,877,122	20,426,144	21,093,557	15,273,864
Switzerland	11,000,000	*	-	*	-
Taiwan	4,300,000	*	-	*	-

# INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

## DONOR GRANTS AND LOANS TO IRAQ (U.S. DOLLARS)

DONOR	PLEGGED <sup>a</sup>	COMMITTED <sup>b</sup>	CHANGE FROM JULY 2007 QUARTERLY REPORT	DISBURSED <sup>b</sup>	CHANGE FROM JULY 2007 QUARTERLY REPORT
Turkey	50,000,000	1,300,000	-	98,442	-
United Arab Emirates	215,000,000	*	-	*	-
United Kingdom	1,537,037,037	579,114,825	129,051,640	259,893,401	177,850,573
Vietnam	700,000	*		*	
<b>Subtotal</b>	<b>11,363,334,468</b>	<b>2,962,182,407</b>	<b>216,297,586</b>	<b>1,643,502,072</b>	<b>208,499,274</b>
European Commission	969,975,000 <sup>d</sup>	693,953,460	24,273,460	1,786,621	-
<b>Subtotal</b>	<b>969,975,000</b>	<b>693,953,460</b>	<b>24,273,460</b>	<b>1,786,621</b>	<b>-</b>
International Financial Institutions					
IMF (low range)	2,550,000,000	727,400,000 <sup>e</sup>	13,400,000 <sup>f</sup>	*	-
World Bank (low range)	3,000,000,000	164,000,000	(240,000)	90,777,000	90,700,986
Islamic Development Bank	500,000,000	*	-	*	-
UNDP	*	12,061,320	12,061,320	754,674,001	754,674,001
<b>Subtotal</b>	<b>6,050,000,000</b>	<b>903,461,320</b>	<b>25,221,320</b>	<b>845,451,001</b>	<b>845,374,987</b>
<b>Total International Donor Assistance</b>	<b>\$18,383,309,468<sup>g</sup></b>	<b>\$4,559,597,187</b>	<b>\$265,792,366</b>	<b>\$2,490,739,694</b>	<b>\$1,053,874,261</b>

\*No data available.

<sup>a</sup> SIGIR analyzed data to compile pledge figures from these sources: Iraqi Ministry of Planning Development Assistance, September 24, 2007, [www.mop-iraq.org/dad](http://www.mop-iraq.org/dad); GOI, "The International Compact with Iraq 2007 Mid-Year Progress Report," July 20, 2007; CRS, "Post-War Iraq: Foreign Contributions to Training, Peacekeeping, and Reconstruction," June 18, 2007; GAO, "Stabilizing and Rebuilding Iraq: Coalition Support and International Donor Commitments," May 9, 2007.

<sup>b</sup> Source: GOI, Ministry of Planning Development Assistance Database, September 24, 2007, [www.mop-iraq.org/dad](http://www.mop-iraq.org/dad).

<sup>c</sup> Change from last quarter is due to correction in data used by SIGIR for pledges; this does not reflect an additional pledge made since last quarter.

<sup>d</sup> Change is due to exchange rate fluctuation from last quarter. European Commission (EC) pledged Euro 718.5 million, this equates to \$969,975,000 using an exchange rate of Euro 1.0=\$1.35. This does not reflect an additional pledge made since last quarter.

<sup>e</sup> This loan is from the Stand-By Arrangement. Amount is for SDR 475.4. Source for U.S. equivalent: IMF, "IMF Executive Board Completes Fifth Review and Review of Financing Assurances under Iraq's Stand-By Arrangement, and Approves Three-Month Extension of the Arrangement to December 2007, Press Release No. 07/175," August 2, 2007.

<sup>f</sup> Change is due to exchange rate fluctuations. Actual SBA loan is SDR 475.4 million.

<sup>g</sup> This figure does not include the \$10 million Madrid pledge and the \$10.7 billion Compact pledge from the United States.

### Notes:

1. Data not formally reviewed, audited, or verified.
2. Committed and disbursed are the international terms used; this terminology is comparable to the SIGIR terms obligated and expended.

TABLE 2.42

## INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ

The International Reconstruction Fund Facility for Iraq (IRFFI) administers a segment of international donor assistance and is co-chaired by the GOI and Italy. Twenty-five donors have committed \$1.75 billion to the two IRFFI funds—the World Bank Iraq Trust Fund (World Bank ITF) and the UN Development Group Iraq Trust Fund (UNDG ITF).<sup>380</sup> Virtually all

IRFFI commitments (96%) have been deposited. Of the total IRFFI funds, approximately \$1.09 billion has been contracted, and \$769 million has been disbursed.<sup>381</sup> This is an increase of \$27 million (about 3%) in disbursed funds above the previous quarter; the contracted amount has remained constant since the previous quarter.

### World Bank Iraq Trust Fund

During 2004, donors authorized the World Bank to administer the World Bank ITF, and the account began receiving funds. As of September 30, 2007, 17 donors had committed approximately \$462.4 million to the World Bank ITF; of the total commitments, \$459.6 million has been deposited. Of the total deposits, \$319 million has been contracted, and \$109 million has been disbursed. Figure 2.38 shows the status of World Bank ITF funds through September 30, 2007.

The World Bank ITF currently finances 16 projects, valued at \$436.7 million, which report this progress:

- As part of the World Bank ITF, only one project was approved during 2007—electricity reconstruction, for \$6.0 million.
- Two projects have been completed and closed. The Emergency Textbook Provision Project, at \$40.6 million, was implemented by the GOI; the Capacity Building I Project, at \$3.0 million, was implemented by the World Bank.
- The GOI directly implements 12 of the remaining 14 active projects, valued at \$384.6 million. The World Bank implements the remaining two active projects (\$8.5 million) in capacity building and technical assistance.

The four largest projects represent nearly 74%

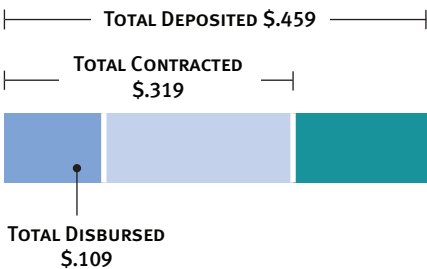
of the total project cost for active projects. For a snapshot of these projects, see Table 2.43.<sup>382</sup>

UN Development Group Iraq Trust Fund

The UNDP administers the UNDG ITF. Twenty-five donors have committed nearly \$1.29 billion to the ITF—an additional \$.11 billion above the previous quarter.<sup>383</sup> Of the total commitments, nearly \$1.23 billion has been deposited, as of July 31, 2007 (the most current information available). Currently, 16 UN agencies are implementing 160 projects with more than \$1.06 billion in funding. Details of the UNDG ITF funding include:

- The European Commission is the largest single donor, with a deposit of nearly \$529 million, followed by Japan, with nearly \$361 million. These two donors represent nearly 73% of the \$1.23 billion in total deposits.
- UNDP is the agency with the most

Figure 2.38  
**WORLD BANK IRAQ TRUST FUND - STATUS OF FUNDS**  
\$ Billions, Total Committed \$.462  
Source: IRFFI, *World Bank Operations in Iraq Data Sheet* (9/30/2007)



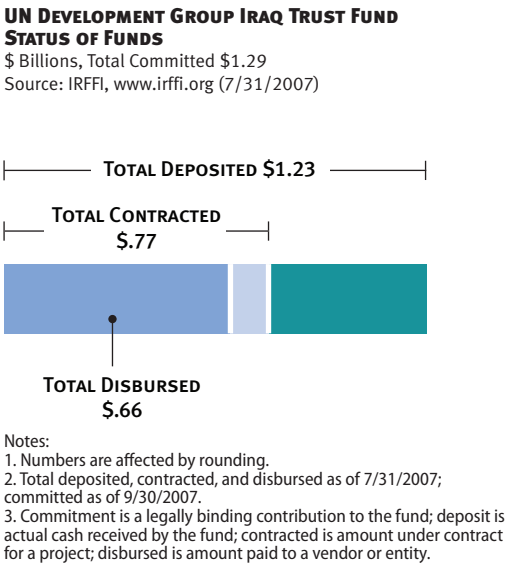
Notes:  
1. Numbers are affected by rounding.  
2. Commitment is a legally binding contribution to the fund; deposit is actual cash received by the fund; contracted is amount under contract for a project; disbursed is amount paid to a vendor or entity.

approved funding (\$296.9 million), followed by the UN Office for Project Services (\$177.2 million) and UNICEF (\$149.8 million).

- \$771 million (73%) of approved funding has been contracted.
- \$660 million (62%) of approved funding has been disbursed.
- 25 projects have been operationally completed.<sup>384</sup>

For the status of UNDG ITF funds through July 31, 2007, see Figure 2.39.

Figure 2.39



# INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

## WORLD BANK IRAQ TRUST FUND: SNAPSHOT OF FOUR LARGEST PROJECTS (\$ MILLIONS)

NAME	PROJECT AMOUNT	CONTRACTED	DISBURSED	APPROVAL/ EFFECTIVE DATE	IMPLEMENTING AGENCY	DESCRIPTION	STATUS
Water Supply, Sanitation, and Urban Reconstruction	\$110.0	\$71.0	\$17.5	December 2004	Ministry of Municipalities and Public Works	Finances water supply and sanitation rehabilitation in nine cities and urban reconstruction in the poorest areas of three cities. The project benefits more than two million people. Additionally, the project offers capacity-building support through training and technical assistance. This project will generate employment—estimated at a minimum of 3,000 jobs.	Contract bids have begun to come in higher than anticipated; therefore, it was determined that some project components will be dropped. The dropped components will be selected during the project restructuring in November 2007.  Civil works contracts are in development for rehabilitation and improvements to water supply. Remaining segments of the project will start by December 2007.
Baghdad Water Supply and Sanitation	\$65.0	\$8.4	\$7.5	December 2004	Municipality of Baghdad	Assists in restoring basic water supply and sanitation services in Baghdad through reconstruction and rehabilitation of existing priority networks and treatments facilities, as well as providing capacity building support.	Mayorality of Baghdad contracted consultants to develop tender documents and designs for the construction phase. Contracts have been signed for goods and works. The mayorality also has recruited a team to develop and execute a city development plan for Baghdad.
School Reconstruction and Rehabilitation	\$60.0	\$36.9	\$14.1	October 2004	Ministry of Education	Aims to improve learning conditions in primary and secondary schools through the construction of 56 new schools and major rehabilitation of 133 schools. Project will benefit more than 100,000 families with children attending unsafe or overcrowded schools and will generate thousands of jobs for Iraq construction firms.	Major rehabilitation has been completed for 133 schools. Project has benefited 46,000 students so far. Additionally, construction for 30 new schools has begun, and there are 26 schools in the pipeline for rehabilitation during early 2008.
Private Sector Development	\$55.0	\$39.0	\$4.4	November 2004	Ministry of Planning and Development Cooperation and ITPC	Addresses selected priorities in institutional capacity building and essential communications infrastructure through the installation of a high-capacity national telecommunications network.	Contract signed during June 2006 for supply and installation of national telecommunications network. Contracts have been awarded for public institution component, competitive component, and payment system infrastructure.
<b>Total</b>	<b>\$290.0</b>	<b>\$155.3</b>	<b>\$43.5</b>				

Source: IRFFI, *World Bank Operations in Iraq Data Sheet*, September 30, 2007.

Note: Data not formally reviewed, audited, or verified.

TABLE 2.43

EXAMPLES OF DONOR-FUNDED PROJECTS

International donors have funded 572 projects<sup>385</sup> and committed nearly \$3.67 billion to the project cost.<sup>386</sup> For a breakdown of the status of donor funded projects, see Figure 2.40.

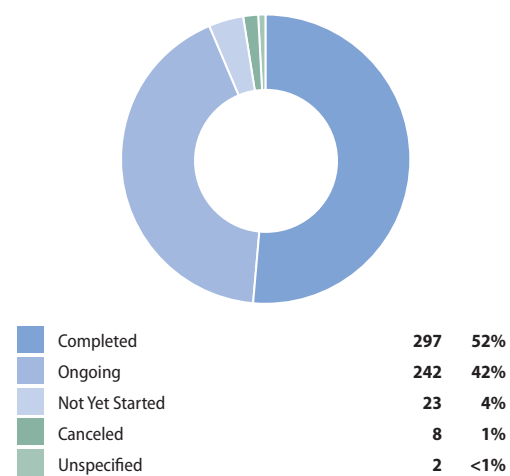
The types of projects funded by international donors vary according to the donor country and their foreign developmental policy, idea, and evaluation of the types of projects most beneficial for Iraq reconstruction.<sup>387</sup>

Data for donor-funded projects was gathered from the DAD. Donors do not regularly provide updated data for the DAD; therefore, the information listed in Table 2.44 should be considered a partial view of donor assistance.<sup>388</sup>

Based on project type, SIGIR noted that most of the international donor funds are used for supplies (27% of total project costs), rehabilitation (23%), and capacity building (21%)—not for hard reconstruction projects (9%).<sup>389</sup>

At the DAD sector level, Infrastructure is the largest donor-funded sector in terms of committed funds for projects (27%), followed by Governance and Democracy Development (15%) and Health (14%).<sup>390</sup> For a status of Iraqi donor spending, see Table 2.44 and Figure 2.41.

Figure 2.40  
**STATUS OF PROJECTS FUNDED BY INTERNATIONAL DONORS**  
Source: GOI, Ministry of Planning Development Assistance Database, www.mop-iraq.org/dad (10/17/2007)



Notes:  
1. Numbers are affected by rounding.  
2. Excludes U.S.-funded projects.



# INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

## DONOR-FUNDED PROJECTS BY SECTOR, AS OF 9/24/2007 (U.S. DOLLARS)

SECTOR	COMMITTED	DISBURSED
Agriculture, Food, and Fishing	\$235,144,389	\$183,071,542
Economic Development	177,389,598	38,443,901
Education, Science, and Culture	333,555,524	232,254,236
Energy	26,164,177	23,333,989
Environment	253,294,917	158,363,057
Governance and Democracy Development	537,876,975	372,577,928
Health	512,385,933	414,778,761
Housing, Labor, and Social Affairs	372,324,737	236,346,389
Infrastructure	1,004,678,229	666,270,164
Security	165,470,968	125,291,324
Unspecified/Unclassified	42,677,280	36,217,518
Unallocated	7,603,219	3,790,886
<b>Total</b>	<b>\$3,668,565,946</b>	<b>\$2,490,739,695</b>

Source: GOI, Ministry of Planning Development Assistance Database, September 24, 2007, [www.mop-iraq.org/dad](http://www.mop-iraq.org/dad).

Notes:

1. Data not formally reviewed, audited, or verified. Data excludes U.S. funds.
2. Committed and disbursed are the international terms used; this terminology is comparable to the SIGIR terms obligated and expended.

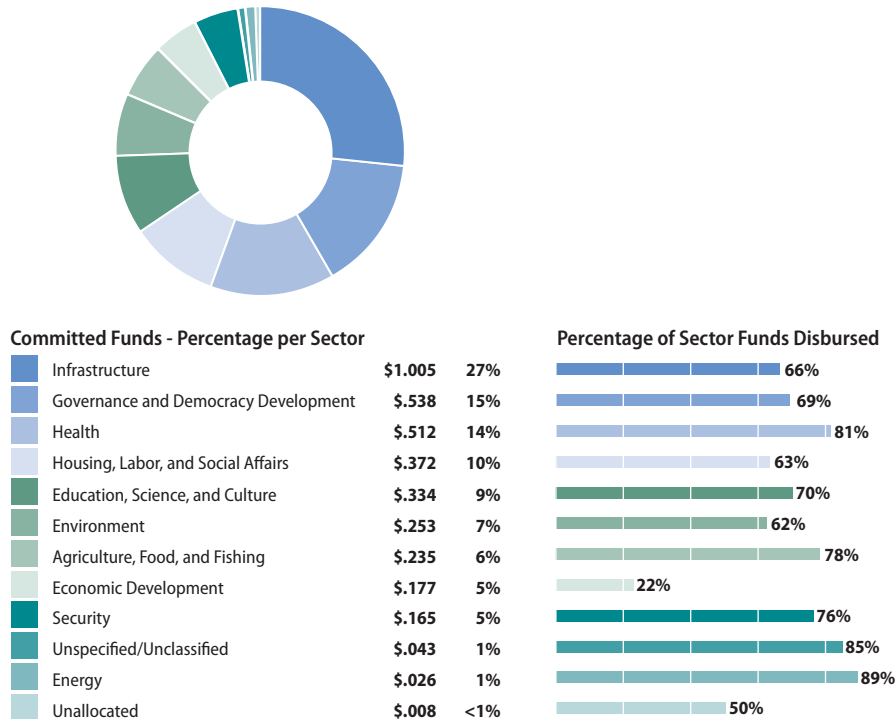
TABLE 2.44

Figure 2.41

### DONOR-FUNDED PROJECTS BY SECTOR

\$ Billions, % of \$3.668 Billion

Source: GOI, Ministry of Planning Development Assistance Database, [www.mop-iraq.org/dad](http://www.mop-iraq.org/dad) (9/24/2007)



Notes:

1. Numbers are affected by rounding.
2. Excludes U.S. funded projects.



# SIGIR OVERSIGHT

SIGIR AUDITS  
SIGIR INSPECTIONS  
SIGIR INVESTIGATIONS  
SIGIR HOTLINE  
SIGIR WEBSITE  
LEGISLATIVE UPDATE

SECTION

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3



SIGIR AUDITS

From July 30, 2007, to October 30, 2007, SIGIR completed seven new audit products. SIGIR has now issued 101 audit products since March 2004.

This quarter, SIGIR audits addressed a diverse range of issues and programs, such as agencies’ management of unliquidated obligations and contract closeout processes, effectiveness of the Provincial Reconstruction Team program in Iraq, and use of contractors in managing Iraq relief and reconstruction projects. SIGIR also issued two interim reports this quarter to address issues in need of immediate attention:

- development of a financial management and information system in Iraq
- the limitations on SIGIR’s ability to conduct a focused financial review of the DynCorp International contract for the Iraqi Police Training Program

For an overview of SIGIR audit products this quarter, see Table 3.1.

SIGIR has ten ongoing audits and plans to

start a number of others next quarter. SIGIR performs audit work under generally accepted government auditing standards.

SIGIR’s reports have produced scores of recommendations designed to achieve management improvements and corrective actions needed in reconstruction and relief activities. The implementation of audit recommendations is crucial. SIGIR auditors regularly follow up on all accepted recommendations, seeking to achieve their full implementation to the extent practical. Recommendations that are not accepted are resolved through the applicable resolution process of each organization, normally at the deputy level.

- For information on all SIGIR audit work completed as of October 30, 2007, see Appendix I, Table I-1, and the SIGIR website: [www.sigir.mil](http://www.sigir.mil).
- For information on the status of implementation of SIGIR audit recommendations and recommendations that remain open, see

SIGIR FINAL AUDIT PRODUCTS, SINCE JULY 30, 2007

REPORT NUMBER	REPORT TITLE	DATE ISSUED
07-010	Agency Management of the Closeout Process for Iraq Relief and Reconstruction Fund Contracts	October 2007
07-011	Controls over Unliquidated Obligations in the Iraq Relief and Reconstruction Fund	October 2007
07-015	Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq	October 2007
07-016	Interim Review of DynCorp International, LLC, Spending under Its Contract for the Iraqi Police Training Program	October 2007
08-001	Interim Report on Efforts and Further Actions Needed To Implement a Financial Management Information System in Iraq	October 2007
08-002	Logistics Civil Augmentation Program Task Orders 130 and 151: Program Management, Reimbursement, and Transition	October 2007
08-003	Review of the Use of Contractors in Managing Iraq Relief and Reconstruction Projects	October 2007

TABLE 3.1

Appendix I, Table I-2.

SIGIR's audit work is well coordinated with other audit entities engaged in Iraq-related work. That coordination is reinforced and formalized by representatives of these entities who meet together quarterly on the Iraq Inspectors General Council (IIGC). The IIGC's objective is to coordinate audit activities to prevent duplication of effort and to share information and experiences gained from ongoing audit activity.

On August 15, 2007, the IIGC met at SIGIR headquarters in Arlington, Virginia; some members participated by phone from other U.S. locations and Baghdad. The meeting was attended by representatives from SIGIR, Army Inspector General (Army IG), Department of Defense Office of Inspector General (DoD OIG), Department of State Office of Inspector General (DoS OIG), U.S. Agency for International Development Office of Inspector General (USAID OIG), Defense Contract Audit Agency (DCAA), Army Audit Agency (AAA), Air Force Audit Agency, Naval Audit Service, and Government Accountability Office (GAO).

## Final SIGIR Audit Products Agency Management of the Closeout Process for Iraq Relief and Reconstruction Fund Contracts

(SIGIR-07-010, OCTOBER 23, 2007)

### Introduction

In the course of implementing the \$20.9 billion Iraq Relief and Reconstruction Fund (IRRF) program, thousands of contracts were issued for activities ranging from the purchase of supplies to billion-dollar construction programs. Most

of the work performed under the IRRF program involved the use of contracts, and contract closeout is the final phase in a contract's life cycle. During this phase, agencies receive and accept final delivery of services and supplies, make final payments to contractors, determine whether excess funds are available for de-obligation and use elsewhere, and prepare required documentation (such as the contract completion statement). The process also provides transparency of the decisions made and documents the history of the contract.

Federal Acquisition Regulation (FAR) 4.804-5 provides financial and administrative requirements and timelines for closing out contracts. These requirements include de-obligating excess funds, disposing of classified material, completing contractor's closing statements, and others. Regarding timing, however, the FAR provides guidelines rather than requirements. The FAR states that firm-fixed-price contracts should be closed out within six months of evidence of physical completion, and contracts requiring settlement of indirect cost rates should be closed out within 36 months after the contract is physically completed.

This review was announced as a broad review of IRRF closeout actions involving contracts and associated task orders, grants, and cooperative agreements to determine their compliance with FAR procedures and to determine whether there were significant impediments to closeout actions. SIGIR subsequently deleted grants and cooperative agreements from the analysis because they comprised a relatively small share of IRRF awards, and they are not covered under the FAR. This report summarizes the SIGIR

review of agency measures to manage contract closeout and future issues affecting closeout of high-value cost-reimbursable contracts.

### Results

The Department of Defense (DoD) and civilian agencies conducting contract activities in Iraq have policies and procedures for closing out contracts that support the FAR, and the data indicates that agency officials have closed out contracts. These agencies include:

- U.S. Army Corps of Engineers Gulf Region Division (USACE/GRD)
- Joint Contracting Command-Iraq/Afghanistan (JCC-I/A)
- Air Force Center for Engineering and the Environment (AFCEE)
- Department of State (DoS)
- U.S. Agency for International Development (USAID)

When problems have arisen, agencies have responded by seeking outside help to close out backlogs, hiring more staff, or providing additional training to staff. Contracts are not always closed out within FAR guidelines. However, DoS, DoD, and USAID contracting officials state that not meeting the guidelines has a limited effect as long as financial closeout requirements—such as settling final payments with the contractor and de-obligating unneeded contract funds—are completed. SIGIR found that the agencies do take actions to financially close out contracts and then address the less important administrative closeout tasks as time permits.

Agency officials voiced concern in one area—

closing out the large design-build infrastructure construction contracts in Iraq. GRD and USACE officials estimate that it could take up to 15 years to fully close out these contracts. In the past, the complicated financial and legal issues on similar contracts required years to close out. This could be problematic because the agencies administering these contracts—USACE/GRD and JCC-I/A in Iraq—are temporary, and plans to transition their closeout workload to other organizations have not been fully worked out. A transition plan is needed to ensure continuity of efforts to accomplish required closeout actions where long-term closeout activity is anticipated.

### Recommendations

SIGIR recommends that the Assistant Deputy Assistant Secretary of the Army for Policy and Procurement-Iraq/Afghanistan (ADASA-P&P I/A) coordinate with JCC-I/A, USACE, and U.S. Central Command (CENTCOM) to ensure that timely action is taken to ensure that GRD and JCC-I/A transition plans address closing out the large, cost-reimbursable contracts in Iraq.

### Management Comments and Audit Response

SIGIR received written comments on a draft of this report from ADASA-P&P I/A, USACE, and AFCEE. All agencies concurred with the recommendation. DoS stated in an email that it concurred with the findings in the report. USAID similarly sent an email with technical comments, which SIGIR incorporated as appropriate.

## Controls over Unliquidated Obligations in the Iraq Relief and Reconstruction Fund

(SIGIR-07-011, OCTOBER 22, 2007)

### Introduction

Through two appropriations referred to as IRRF 1 and IRRF 2, the Congress has authorized a total of \$20.9 billion for the Iraq Relief and Reconstruction Fund (IRRF). DoD, DoS, and USAID are the major recipients of IRRF funds.

Obligations are recorded when an authorized agent of the federal government enters into a legally binding agreement to purchase specific goods or services. As bills are received and payments made, the recorded obligation is reduced by the payment amounts, with the balance referred to as the unliquidated obligation. Funds no longer needed may be de-obligated.

The purpose of this audit was to determine the amount of IRRF unliquidated obligations retained by DoD, DoS, and USAID and whether those agencies have established adequate management controls over their unliquidated obligations. This audit focused on annual reviews of unliquidated obligations that agencies should have completed for FY 2006.

### Results

As of March 31, 2007, the IRRF unliquidated obligation balance for DoD, DoS, and USAID totaled \$2.649 billion.<sup>421</sup> The breakdown by agency was \$2.308 billion, \$182.1 million, and \$159.6 million, respectively.

Each of the three agencies included in the SIGIR review has policies and procedures to monitor obligations and to conduct at least an annual review of those that remain unliquidated. The organizations SIGIR examined varied in

the extent to which they had conducted and/or documented the required annual review of unliquidated obligations for FY 2006. Based on the reviews, SIGIR believes that there are opportunities for them to improve their performance, better document the results, and potentially expedite the de-obligation of unneeded funds in the future. Completing and documenting such reviews can be important to facilitating ongoing monitoring, follow-up oversight, financial-report preparation, and the retention of institutional knowledge in the face of personnel turnovers. The following examples illustrate limitations that SIGIR identified in the reviews:

- USACE/GRD, which manages DoD's IRRF-funded programs, provided documentation indicating that it had conducted its required review of fiscal year unliquidated obligations in August/September 2006. This review resulted in USACE de-obligating about \$30.6 million. Nevertheless, SIGIR identified opportunities for additional de-obligations. For example, SIGIR selected a sample of 150 unliquidated obligations—50 from each of the prior fiscal years—FY 2004, FY 2005, and FY 2006. As of September 2007, SIGIR determined that 24 of the 150 unliquidated obligations, totaling approximately \$28.4 million, have had no disbursements since September 2006 and often no documentation of why a continual obligation was needed.

Moreover, based on the SIGIR assessment of 14 unliquidated obligations in the sample, SIGIR found three—totaling about \$1 million—that GRD's documentation indicates should have been de-obligated before the year-end review in September 2006. Simi-



larly, SIGIR identified another instance in which an additional unliquidated obligation of \$513,066 should have been de-obligated in September 2006. After SIGIR brought these and other examples to the attention of USACE/GRD officials, they initiated action to de-obligate these funds. USACE headquarters officials, who are currently in the process of revising their procedures for conducting the review of unliquidated obligations, told SIGIR that they will require the reviewers to document in the Corps of Engineers Financial Management System (CEFMS) if a continuing need exists for each unliquidated obligation.

- AFCEE awarded about \$1.1 billion of the DoD IRRF program monies. However, AFCEE did not conduct the required review of its September 2006 unliquidated obligations because, according to a senior AFCEE official, USACE/GRD did not ask for one and had not provided AFCEE with a list of unliquidated obligations that would have provided the basis for a review. Nevertheless, the DoD regulations required AFCEE to perform the review.

SIGIR determined that as of September 2006, AFCEE had 100 unliquidated obligations totaling approximately \$91 million; 78 of those obligations were made in FY 2004 and FY 2005. SIGIR determined further that 20 obligations (10 established in each of those fiscal years) had no disbursements as of September 2006. The obligations in question totaled approximately \$12.2 million. SIGIR believes that AFCEE should have reviewed these unliquidated obligations during the

annual review because that organization awarded the contracts and performs project monitoring. AFCEE should have determined whether a continuing need existed for these obligations.

- USAID did not conduct a year-end review of its IRRF unliquidated obligations before the end of FY 2006. On October 2, 2006, however, as permitted by its guidelines, the USAID/Iraq Mission Director issued an advance certification stating that IRRF unliquidated obligation balances were needed in the activities for which they were obligated and that the amount of funding was consistent with agency guidelines for forward funding. As permitted by its guidelines, the Mission then undertook an actual review of unliquidated obligations between October 2006 and February 2007 while the SIGIR review was underway.

As a result of the annual review, the Mission de-obligated \$24.1 million. Later, while the review was underway, USAID de-obligated an additional \$39.0 million of unliquidated obligations that were not identified in their annual review documentation. Continuing to monitor the USAID financial management database for IRRF obligations, SIGIR determined that agency officials had de-obligated an additional \$6.5 million of IRRF unliquidated obligations from May 2007 through September 2007. Consequently, USAID de-obligated \$69.6 million of IRRF funding since October 2006. For the assessment, SIGIR reviewed USAID's unliquidated obligations as of September 2006, when no disbursements had occurred for at least six

months. SIGIR found 71 obligations, totaling about \$1.2 million, which could have been de-obligated prior to the end of the fiscal year, principally in obligations with no disbursements for significant time periods. After bringing these obligations to USAID's attention, agency officials subsequently de-obligated 62 of the 71 obligations, totaling about \$611,000, and Mission officials continue to review the remaining 9.

- DoS policy requires an annual, fiscal year-end review of unliquidated obligations, along with monthly reviews, to determine if there is a continuing need for funds as currently obligated. DoS officials provided SIGIR with the FY 2006 certifications from the bureaus and embassies responsible for the IRRF, stating that they had certified their year-end unliquidated obligation balances of \$316.5 million. The agency did not, however, provide supporting documentation for its annual review of unliquidated obligations and its determination of a continuing need for individual obligations. As a result, SIGIR could not determine the thoroughness and completeness of DoS's year-end review of unliquidated obligations.

The SIGIR review of DoS's unliquidated obligations found instances in which a continuing need for an obligation could be questioned—principally in regard to agreements with another government agency where there had been no activity for significant time periods or where obligations occurred in prior years. As of March 2007, DoS accounting records identified \$70 million of unliquidated obligations pertaining to 24 interagency

agreements with the Department of Justice (DoJ). DoJ reported to DoS that \$39.5 million of the \$70 million remained unobligated, as of March 2007.

## Recommendations

Overall, SIGIR found various instances in each of the agencies that provide opportunities to improve documentation of the review of unliquidated obligations, including the justifications for retaining individual obligations. Therefore, SIGIR recommends that:

- USACE/GRD provide a list of unliquidated obligations to AFCEE, as required by the DoD regulation, and follow up with them on the reviews
- USAID and DoS develop written procedures requiring finance offices to document their reviews of unliquidated obligations and the reasons for retaining an obligation, including identifying a continuing need
- DoS document, as appropriate, its year-end review of each individual unliquidated obligation and document its determination of a continuing need

## Management Comments and Audit Response

SIGIR received written comments on a draft of this report from USACE and USAID. USACE concurred with the recommendation and provided technical comments, which SIGIR included in the report where appropriate. In its written response to the draft report, USAID said it had completed its annual review of unliquidated obligations during FY 2006. During the audit, however, SIGIR requested but did not receive supporting documentation of USAID's

FY 2006 certification of unliquidated obligations until February 2007.

Therefore, SIGIR had no evidence to support USAID's position that the agency completed its review before the end of FY 2006. USAID did not respond to the recommendation that it document its reasons for retaining an obligation. Rather, USAID said that it already has procedures for documenting reviews and recording reasons for retaining an obligation. SIGIR reviewed all of the data USAID provided and again found no documentation detailing why it retains obligations. Consequently, SIGIR is keeping this recommendation. USAID also provided some technical comments, which SIGIR included in the report where appropriate.

### **Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq** (SIGIR-07-015, OCTOBER 18, 2007)

#### **Introduction**

The Provincial Reconstruction Team (PRT) program for Iraq is a U.S.-led, civil-military effort to help Iraq's provincial and local governments govern effectively and deliver essential services. The initiative has evolved and expanded considerably since the opening of the first PRTs in Mosul, Kirkuk, and Hilla in November 2005. As of August 2007, the program comprised:

- seven PRTs led by the United States and three led by the coalition
- seven provincial support teams (PSTs)—small cells of advisors who provide advice to provincial officials<sup>422</sup>
- 15 recently deployed ePRTs—the latter embedded with brigade combat teams

(BCTs) in and around Baghdad and Anbar province

The PRT program provides integrated and multidisciplinary teams of U.S. and Coalition civilian and military personnel to teach, coach, and mentor provincial and local government officials in core competencies of governance and economic development.

This report examines the PRT program and provinces in Iraq across five selected areas of program emphasis:

1. assisting Iraq's provincial and local governments in developing a transparent and sustained capability to govern
2. promoting increased security and rule of law
3. advancing economic development
4. providing the provincial administration necessary to meet the basic needs of the population
5. promoting reconciliation and shaping the political environment

This report provides some generalizations across each area of emphasis and also provides an assessment of progress across the country. To show the progress of the PRTs in different parts of Iraq, SIGIR has grouped the 18 provinces into a nominal construct of five geographic regional areas. This grouping is only for discussion purposes in this report.

In making the assessment, SIGIR visited the ten PRTs and seven PSTs, as well as nine of the new ePRTs. The work included discussions with senior-level military and U.S. Embassy officials in Baghdad and structured interviews

throughout Iraq with 274 civilian and military officials and officers, including senior leaders in the BCTs, team and deputy team leaders, technical specialists, bilingual bicultural advisors, civil affairs members, and Iraqi and third-country government advisors. SIGIR did not systematically obtain the perspective of Iraqi provincial-government officials on the effectiveness of the PRTs.

## Results

In many locations, the PRT program in Iraq is making incremental progress in developing the nation's provincial and local government capacity to effectively govern and manage its own reconstruction, despite continuing political and ethnic conflicts, as well as the difficult security situation. However, Iraq's complex and overlapping sectarian, political, and ethnic conflicts, as well as the difficult security situation, continue to hinder progress in promoting economic development, rule of law, and political reconciliation. Despite these general observations, some differences do exist across sections of the country and individual provinces. The following are summaries of SIGIR's findings on the five areas of PRT program emphasis that SIGIR examined:

*Governance*—At the sites SIGIR visited, PRT officials provided mixed judgments of their provinces' effectiveness at governing and managing their governmental institutions, but noted that each had improved incrementally over the previous year. Officials told SIGIR that a key obstacle to developing governance capacity was the lack of a Provincial Powers Law to define the

rights and responsibilities of government offices and to hold provincial officials accountable for their actions.

*Rule of Law*—Numerous PRT officials identified rule of law as their most problematic core function. In many locations, there is little cooperation between the police, courts, and correction facilities, and judicial orders are routinely ignored. With a few exceptions, the local population views police officers with suspicion because of suspected links to local militias and criminal activity. Judges and other participants in the judicial process are subjected to intimidation, and courts are often unable or unwilling to hear cases because of inadequate security.

*Economic Development*—The dangerous security environment continued to undermine efforts by the PRTs to increase living standards and reduce unemployment. Therefore, it is difficult to ship raw materials into provinces and transport agricultural and manufactured products to markets, and there is little Iraqi or foreign investment. Many provinces suffer from shortages of fuel oil and electrical power, and PRT economic advisors report that it will be difficult to create employment opportunities without a stable power source. The PRTs are engaged in a number of efforts to foster economic development, including micro-lending programs, agribusiness development, small-business development centers, and plans to resurrect state-owned enterprises.

*Reconstruction*—PRT officials generally believe that the provinces are effective at managing their infrastructure and brick-and-mortar reconstruction projects. However, provincial

governments have little ability to manage and sustain existing infrastructure projects, and they are not budgeting for operation and maintenance requirements. The use of the Commander's Emergency Response Program (CERP) exacerbated the problem. SIGIR documented frequent instances of CERP projects that conflicted with the capacity-development mission of the PRTs by performing tasks that properly belong to local and provincial governments.

*Political Reconciliation*—PRT officials reported little progress in this key area at the local and provincial level—with the notable exception of Anbar province, where the tribes banded together to oppose al-Qaeda and support the national government. Efforts toward reconciliation have been undermined by tension between rival Shia groups, a sense of alienation among Sunnis, and growing public frustration over the inability to obtain government services.

Looking across the five regional areas and the provinces associated with them, one can see differences across and within the regions. The northern area is heavily Kurdish, the western area is largely Sunni, the southern areas are largely Shia, and the central region is mixed. Despite the best efforts of PRT civilian and military officials who are working under dangerous and austere conditions to accelerate the Iraqi transition to self-reliance, resolving these problems will likely be a slow process. It will require years of steady engagement and will depend heavily on the security environment and political settlements at the national level.

## Observations

PRTs are coaching their provincial counterparts to execute their provinces' capital budget allocations. Most provinces report that they are ahead of their 2006 spending pace and generally on course to spend their 2007 funds. Generally, the provinces were spending their funds on brick-and-mortar construction projects, although issues with procurement complexity and lack of contractors have caused some provinces to focus instead on spending to stockpile materials for future projects.

As SIGIR has previously reported, management actions are needed to improve sustainment capacity for reconstruction programs. However, this problem continues.<sup>423</sup> SIGIR noted that the provinces struggle to staff and maintain buildings and facilities once constructed—such as clinics, schools, and water treatment plants. One PRT team leader characterized the problem as a future “train wreck” unless steps are taken now to begin budgeting and deploying the systems needed to sustain the new construction. In an earlier report, SIGIR recommended that the U.S. Ambassador, in coordination with the Commanding General, Multi-National Force-Iraq (MNF-I), formulate and implement a plan with clear goals and objectives for the sustainment of IRRF projects, and review the Government of Iraq's (GOI's) leadership in this area to determine its adequacy and shore up any shortfalls.

Although SIGIR directed this recommendation to the Embassy, it also has relevance at the provincial level. SIGIR believes that the PRTs should expand their focus on budget execution

efforts, including helping the provincial governments to budget for and carry out sustainment tasks. This would also have the salutary secondary effect of increasing coordination between the central ministries' provincial-level representatives and local officials.

Further, SIGIR's two previous reports on the PRT program recommended the development of clearly defined objectives and performance measures to guide the PRTs and determine their accomplishments.<sup>424</sup> SIGIR believes that those recommendations are still appropriate and are particularly relevant for those provinces where the PRTs' access and engagement with Iraqi officials have been limited. SIGIR also found frequent instances in which the military's use of CERP to perform tasks that properly belong to local and provincial governments conflicts with the PRT's capacity-development mission.

## Recommendations

SIGIR recommends that the U.S. Ambassador to Iraq and the Commanding General, MNF-I, take these actions:

1. In an expeditious manner, jointly establish a comprehensive plan for the PRTs (including ePRTs), with elements tailored for each PRT. At a minimum, the plan should: (a) clearly define objectives and performance measures, (b) clearly define milestones for achieving stated objectives, (c) be linked to funding requirements, and (d) identify the organization(s) within each agency that are accountable for the plan's implementation. To provide senior-level attention to this issue, the plan should be approved by the Office of

the Chief of Mission and the MNF-I Commander to demonstrate each agency's commitment to this effort.

2. Develop guidance on the use and synchronization of CERP funds to support the U.S. government's capacity-development mission.

## Management Comments and Audit Response

The U.S. Embassy-Iraq and Headquarters, MNF-I, provided comments on a draft of this report. DoD did not provide comments. Both the Embassy and MNF-I expressed disagreement with a recommendation in the draft report relating to reassigning certain PRT personnel because of security issues and outlined steps underway to address the security challenges. They differed in their response to the second recommendation dealing with the use and synchronization of CERP funds: the Embassy concurred, and MNF-I non-concurred. MNF-I also provided other technical comments, which were incorporated in the report as appropriate.

The draft report recommended that the U.S. Ambassador to Iraq and the Commanding General, MNF-I, consider reassigning the PRT personnel from Basrah, Najaf, Karbala, Qadisiyah, and Maysan (Missan) to functioning PRTs until the security environment improves, or develop a plan to better use the staff of those five units and provide clearly defined objectives and guidance for what they are to accomplish. The Embassy responded that it was premature to reassign the affected PRT personnel and that retaining provincial contacts is important because it demonstrates a political commitment to developing the affected provinces. The Embassy and MNF-I



both commented that efforts are underway to provide appropriate security and movement and other actions to accomplish their objectives. MNF-I also noted that an effort is underway to relocate the Qadisiyah PRT to Camp Echo and have it become an ePRT, presumably with enhanced security. The Embassy indicated that further measures will be considered if PRT operations languish and security conditions do not improve. Because of these actions, SIGIR modified the recommendation by deleting the portion that addressed the reassignment of personnel.

Neither the U.S. Ambassador to Iraq nor the Commanding General, MNF-I, however, responded to the part of the recommendation to develop a plan to better utilize the staff at Basrah, Najaf, Karbala, Qadisiyah, and Maysan. In two previous reports, SIGIR discussed the need to develop clearly defined objectives and performance measures to guide PRT activities and measure their accomplishments; SIGIR still considers a plan to be an essential tool for those purposes. A plan is also essential for managing the human capital and financial resources at those locations. To date, SIGIR's earlier recommendations have not been implemented. Accordingly, SIGIR modified this portion of the recommendation to emphasize the need for senior management attention to develop a management approach to address these issues. SIGIR also continues to believe that this area will require close monitoring by the Embassy and MNF-I.

Concerning the SIGIR recommendation related to the synchronization of CERP funds, the Embassy concurred and indicated that it

was providing guidance to its PRTs to use the Mission Strategic Plan and the Joint Campaign Plan as they coordinate with their military counterparts on capacity-development projects. MNF-I did not concur with the recommendation, noting elements of ongoing coordination; however, MNF-I also noted room for improvement by having provincial-level PRTs develop and implement Joint Common plans with their paired combat force elements. MNF-I noted that the latter has already been proposed and is under consideration. Based on these comments, SIGIR believes that this recommendation continues to have merit and is retained.

### **Interim Review of DynCorp International, LLC, Spending under Its Contract for the Iraqi Police Training Program**

(SIGIR-07-016, OCTOBER 19, 2007)

#### **Introduction**

This audit was to be the second in a series of focused financial reviews of the IRRF conducted by SIGIR. On March 22, 2007, SIGIR announced the subject review to determine: (1) what the U.S. government required under contract S-LMAQM-04-C-0030, (2) what the contractor provided, (3) how the money was spent, and (4) what contract oversight was provided. However, shortly after the work began, SIGIR learned that these objectives could not be fully accomplished. Officials with the DoS Bureau for International Narcotics and Law Enforcement Affairs (INL)—the program execution office—told SIGIR that INL did not have the information needed to identify what DynCorp International, LLC (DynCorp), provided under the contract or how funds were spent. INL has a number of initia-

tives to improve its management and oversight of the contract and recoup funds inappropriately paid to DynCorp. Because of these problems and initiatives, SIGIR has temporarily suspended this work and plans to follow up later on INL's progress implementing the initiatives and addressing the serious contract management issues. In the interim, SIGIR is issuing this report to summarize the information gathered to date.

## Results

Although training has been conducted and equipment provided under the contract, INL officials report that (1) invoices and supporting documents submitted by DynCorp were in disarray, but are being organized; (2) INL had not validated the accuracy of the invoices it received prior to October 2006, but since October, INL contracting officer's representatives in Iraq have been validating all incoming invoices as time and conditions in Iraq allow; (3) INL personnel in Iraq and in Washington, D.C., are in the process of validating past invoices; and (4) INL lacks confidence that DoS accounting records accurately capture the purpose for most disbursements.<sup>425</sup> As a result, INL does not know specifically what it received for most of the \$1.2 billion in expenditures under its DynCorp contract for the Iraqi Police Training Program. INL's prior lack of controls created an environment conducive to waste and fraud.

INL's contract administration problems are well documented. In July 2005, DoS OIG reported the need for strengthened oversight of procurement and contract compliance.<sup>426</sup> In January 2007, SIGIR and DoS OIG jointly reported on Task Order 0338 of this contract,<sup>427</sup>

citing poor contract administration by INL and the DoS contracting office.<sup>428</sup>

INL recognizes that the contract was poorly managed and that improvements are needed in its contract administration and has begun a number of improvement initiatives, including:

- organizing contract files
- increasing the number of contract management personnel in Iraq
- increasing its headquarters staff
- improving its oversight of property management
- collecting for excess or erroneous charges
- improving its project oversight and business processes

SIGIR supports INL's overdue efforts and recognizes that INL needs time to implement those initiatives.

Because of the magnitude of the problems confronting INL and the number of actions planned to address them, SIGIR believes that INL needs to develop a coordinated, comprehensive corrective-action plan with approval at the highest levels, which will demonstrate INL's commitment to this effort and will facilitate the tracking of progress in implementation.

SIGIR requested comments from INL on a draft of this report. INL agreed with SIGIR's overall findings and recommendations and provided additional information that clarified its progress on some initiatives. SIGIR has incorporated that information, as appropriate.

## Background

INL's mission is to develop policies and manage programs to combat international narcotics



production and trafficking, combat international crime, and strengthen law enforcement and other rule-of-law institutional capabilities outside the United States. To that end, INL awarded contract S-LMAQM-04-C-0030 to DynCorp on February 18, 2004. The contract—for a base year and four one-year options—is now in its third option year.<sup>429</sup> It includes tasks in support of INL programs for Iraq and Afghanistan. This report focuses on the contract tasks for Iraq. Among other things, those tasks required DynCorp to provide housing, food, security, facilities, training support systems, and a cadre of law enforcement personnel of various specialties to support the Iraqi civilian police-training program. According to INL officials, INL had obligated \$1,338.1 million and had paid \$1,217.8 million in pursuit of the Iraq program, as of August 23, 2007.

#### **INL Contract Management Issues**

During the initial year of the DynCorp contract, INL's workload increased substantially—without a commensurate increase in personnel. The result was poor contract management, a problem that continued until recently. As a result, INL cannot provide a detailed accounting of the \$1.2 billion expended under its DynCorp Iraqi Police Training Program. INL's contract management problems are well documented:

- In July 2005, DoS OIG reported that INL's responsibilities and programs had increased substantially from 2003 to 2005, but its staffing had not increased commensurate with its workload, creating a significant management challenge. "INL must strengthen its mechanisms for oversight of procurement

and contract compliance," the report stated, "particularly regarding the Iraq and Afghanistan programs." Consequently, INL submitted a reorganization proposal—approved by DoS—to add 35 full-time domestic positions. According to the DoS OIG report, however, the INL reorganization did not address the critical staffing requirements for overseas posts, including Iraq.

- In a January 2007 report on Task Order 0338, SIGIR and DoS OIG reported that poor contract administration by INL and the DoS Office of Acquisition Management (the contracting office) put millions of dollars at risk and resulted in unaccountable property. In commenting on the report, the Assistant Secretary of State, INL, identified steps that INL had initiated to strengthen its contract and asset management, as well as its intent to reconcile past payments made since the inception of INL contracts in Iraq, Afghanistan, and Jordan.
- On April 25, 2007, the Assistant Secretary, in testimony on contracting for the Iraqi security forces, recognized problems with contract management and related measures to improve INL's management and oversight capabilities.<sup>430</sup> She stated: "The urgency and scale of requirements in Iraq has often outstripped our staffing and oversight capabilities, both domestically and in the field, particularly in the early stages.

Security challenges have also impeded the ability of our staff to travel throughout Iraq." The Assistant Secretary also said that INL had recently obtained approval to increase its Baghdad staff, was expanding its Washing-

ton, D.C.-based Iraq program staff, and had strengthened such internal controls as inventory oversight and performance reporting on property management.

- In June 2007, shortly after SIGIR began work on the subject review, officials told SIGIR that INL's review of DynCorp invoices had identified numerous issues, including duplicate payments, the purchase of a \$1.8 million x-ray scanner that was never used, and payments of \$387,000 to house DynCorp officials in hotels in Iraq rather than in existing living facilities.<sup>431</sup> Also, INL discovered a problem with business-class travel and asked DynCorp to review all such travel and provide all supporting documentation. Four weeks later, INL received a check for \$108,000 and all historical and current invoices. The officials admitted that INL did not have enough personnel in Iraq and at INL headquarters to properly validate the invoices, ensure that DynCorp charges were accurately recorded in DoS accounting systems, and provide oversight of the company's performance. As a result, INL officials concluded that they have no confidence that the U.S. government has paid only for valid expenses under the contract or that the DoS accounting records accurately capture the purpose for which funds were disbursed.
- In July 2007, in a review requested by INL, DoS OIG reported on the results of a limited review to determine (1) the effectiveness of INL's process for reviewing and approving invoices from DynCorp for the support of the Jordan International Police Training Center, (2) the best practices for reviewing and approving invoices, and (3) whether

invoices provided by DynCorp in FY 2005 for the support of the training center were adequately supported.<sup>432</sup> The review, requested by INL, found that INL did not have an effective process in 2005 for reviewing and approving DynCorp invoices. For example, INL approved payments without assurance that the work or services were completed satisfactorily. The review also found that invoices for the training center were not supported by complete and clear documentation that complied with federal regulations, DoS acquisition procedures, and contract requirements. For instance, DynCorp did not provide required data to support travel and housing charges, and documents submitted to support other expenses were also inadequate and presented in an unmanageable format. In response, INL provided DoS OIG with information on improvements that INL has made and continues to make in its invoice review and approval process.

## Initiatives To Improve Contract Management

INL recognizes that it has poorly managed the DynCorp contract and that improvements are needed. INL has begun a number of initiatives to improve management, including reviewing and completing contract files, reviewing and reconciling invoices, recovering excess or erroneous payments, and accounting for costs and property. Following is a brief discussion of some contract management areas undergoing improvement and the status of those initiatives as of September 2007.

*Contract files:* INL was compiling contract files to include contracts, task orders, and other

pertinent documents. According to INL officials, INL has accumulated copies of the documents, and they are being organized into binders; this effort is just over 60% complete.

*Review and reconciliation of invoices:*

- INL was increasing the number of contract management personnel in Iraq from one to seven. Five were already in Iraq, and the other two were awaiting clearances to join them. Those individuals will review all new invoices and help reconcile earlier ones with supporting documents. In addition, INL was working to obtain ten detailees from the Defense Finance and Accounting Service and other agencies to assist INL staff in the United States with invoice reconciliation. Seven detailees had been accepted, and INL was in the process of selecting three more. Although the reconciliation effort began in April 2006, progress had been slow because of limited staff devoted to the effort.
- Rejecting out-of-scope or unsupported work: INL was comparing invoices to DynCorp's pricing proposal and rejecting invoices for work that appears to be out of scope or lacks documentary support. According to INL officials, when an invoice is questioned, none of the bill is paid, and DynCorp must resubmit documentation to support its claim.

*Collection for excess or erroneous charges:*

On October 16, 2006, INL negotiated a contract modification that allows it to review invoices after they are paid and to request reimbursement for excess or erroneous charges. Although the modification is not retroactive, INL has issued demand letters for reimbursement of excess or erroneous charges paid before that date and has

been successful in getting those funds reimbursed.

*Accounting for costs:* INL had begun to inventory and review all invoices and supporting documents and to record charges in appropriate cost categories. According to INL officials, charges were not appropriately categorized, principally because the personnel who processed the invoices did not take the time to do that or because the invoices were not clear or complete. As a result, INL cannot be certain that accounting records accurately capture the purpose for which the funds were disbursed until its inventory and review are completed. When the additional invoice reviewers are on staff, INL estimates that contract accounting will be completed within three to five years.

*Property management:* Between January and June 2006, INL directed DynCorp to improve its management of property. INL gave this direction in a series of letters that documented defects in contract performance; the company responded by identifying corrective actions it was taking or planned to take. Subsequently, an INL senior management consultant reviewed DynCorp's management of government property in Iraq from April 22 to May 12, 2007, and found that it was still unacceptable and did not meet regulatory standards. DynCorp then provided another corrective-action plan and, according to INL officials, has made improvements in:

- revalidating property accountability
- identifying excess property
- improving storage capability to ensure that the right amount of supplies and equipment are at the right locations to provide required logistical support

At INL's request, DynCorp prepared an inventory of contractor-procured, government-owned equipment in Iraq. According to INL, the inventory contained 31,680 line items valued at \$85.6 million. The contract management team in Iraq has requested a 100% audit of all contractor inventory records, including a review of weapons and weapons-support equipment. INL says its contract management members in Iraq have evaluated DynCorp's system for accounting for weapons and found it to be adequate. According to INL officials, INL's most recent review of DynCorp's property management records found that the accuracy had improved; however, DynCorp's notifications of lost weapons were not done in a timely manner. DynCorp has implemented a remedy action plan, and the contract management team will continue to monitor DynCorp's actions and report on progress.

*Project oversight and INL business processes:* INL has hired two civil engineers to locally verify the implementation of INL construction projects and enforce U.S. quality standards in Iraq. INL is also hiring a logistics specialist in Washington, D.C., to improve overall business processes and logistics management, conduct cost-benefit analyses, and assist with reviews of contract performance. Moreover, officials told SIGIR that INL is recruiting an industrial property-management specialist to help draft specific requirements for INL contracts and task orders, as well as to ensure that U.S. government property in contractors' custody is managed in accordance with government contract and FAR requirements. INL expects the additional positions to significantly improve contract specifica-

tions and contract property management.

According to INL officials, it will take three to five years to complete a 100% review and reconciliation of the invoices and a validation of the property records. But INL is already beginning to see benefits from its initiatives. As of September 20, 2007, INL had identified these savings from the initiatives in Iraq:

- \$113.7 million in negotiated reductions in cost/price proposals
- \$1.1 million in rejected invoices
- \$0.7 million in received refunds from DynCorp

INL also identified \$1.1 million in potential savings from invoiced amounts.

According to INL officials, the initiatives will be part of a corrective plan that INL is developing. However, the plan has been delayed because of the need to respond to high-priority congressional requests.

## Conclusions

INL's prior lack of management and financial controls created an environment conducive to waste and fraud. INL has taken action and continues to take actions to improve its contract management in general and its management of the DynCorp contract in particular. Because INL (1) does not have complete and accurate information on what DynCorp provided and how the money was spent in Iraq under the DynCorp contract and (2) has several initiatives underway or planned to improve its contract management, SIGIR believes that INL needs time to demonstrate its commitment to better

contract management. Therefore, SIGIR has temporarily suspended its efforts and will notify the appropriate organizations when it decides to resume them. SIGIR also believes that to facilitate its efforts and guide its actions, INL needs a coordinated, comprehensive corrective-action plan that has the approval and support of senior INL management.

### **Recommendation**

To improve contract management processes, SIGIR recommends that the Secretary of State direct the Assistant Secretary, INL, to establish milestones for preparing and finalizing a comprehensive corrective-action plan that incorporates the various initiatives that are planned or underway, as well as other needed actions that INL may identify. The plan should, at a minimum, include milestones and required resources to accomplish each initiative. It should be approved by the Assistant Secretary, and the approval process should include a commitment to provide the resources necessary to implement the plan. Also, a process should be established to assess the plan's implementation and its impact on INL's oversight of the DynCorp contract, including progress briefings to the Assistant Secretary, INL.

### **Management Comments and Audit Response**

SIGIR requested comments from INL on a draft of this report. INL agreed with the overall findings and recommendations and provided additional information that clarified its progress on some initiatives. SIGIR has incorporated that information, as appropriate. INL also provided information on its actions to implement the

recommendations included in the DoS OIG and SIGIR joint report on Task Order 0338.

### **Interim Report on Efforts and Further Actions Needed To Implement a Financial Management Information System in Iraq** (SIGIR-08-001, OCTOBER 23, 2007)

#### **Introduction**

In early summer 2003, the Coalition Provisional Authority (CPA) and the International Monetary Fund (IMF) separately conducted assessments that identified a need for improvements in the GOI budget and financial control system. The assessments found that the GOI financial structure had limited ability to monitor Iraqi ministerial budgets and expenditures, leaving the ministries vulnerable to fraud, waste, and misappropriation of funds. Further, a U.S. Embassy official told SIGIR that the existing systems had limited planning functionality, which makes it difficult for the GOI to develop a budget.

In July 2003, USAID awarded contract RAN-C-00-03-00043-00 to BearingPoint, Inc., for a broad range of tasks related to economic and financial reforms for Iraq. One of the tasks under that contract was to develop and implement a new Iraq Financial Management Information System (IFMIS) to replace the existing Iraq financial systems.

In September 2004, a follow-on contract (267-C-00-04-00405-00) with BearingPoint was awarded for the continuation of the economic and financial reforms. That contract, which continued to fund the IFMIS, specified that installation would be completed within the year. In September 2006, the Iraq Reconstruction Management Office—which has since become

the Iraq Transition Assistance Office (ITAO)—issued two concurrent contracts to BearingPoint to integrate components into the IFMIS:

- contract W916GXQ-06-C-0009 for a budget module
- contract W916GXQ-06-C-0010 for a procurement module

In July 2006, USAID awarded contract DFD-I-00-05-00221-01 to Management Systems International, Inc., to design and implement the National Capacity Development Program, a component of which is for training and policies for IFMIS.

On March 21, 2007, SIGIR announced a review of U.S. efforts to implement the IFMIS. That review continues, and SIGIR plans to report on that effort later this year. However, because the objective of this report is to provide timely information on economy and efficiency issues requiring immediate action and to respond to a request from the U.S. Embassy in Iraq, SIGIR is providing interim results and recommendations concerning the IFMIS contracts.

### **Interim Results**

Although some progress has been reported on the IFMIS, it is difficult to tell specifically what has been developed and implemented and how much has been expended. Available information shows that the system development and implementation costs are more than \$38 million. Although contract documents state that the IFMIS was to replace the Ministry of Finance's legacy accounting system, the ministry continues to operate its legacy systems in parallel

with components of the IFMIS. According to U.S. Embassy officials, the Ministry of Finance continues to use its legacy system for overall budget and accounting, "nobody noticed" when the IFMIS was down for a month, and no one relies on the IFMIS to produce reports. Iraqi user requirements have not been identified and incorporated in the system's development. Other ministries, such as Interior and Defense, have developed their own financial management information systems, which are not compatible with the IFMIS and cannot transfer financial data from one system to another. As a result, the agency personnel must manually input financial data via terminals in the various ministries.

The IMF identifies five pre-conditions for the successful development of a financial management information system. SIGIR reviewed these pre-conditions in light of the work to date on the IFMIS and provides the preliminary observations shown in Table 3.2.

In May 2007, the BearingPoint project leader and four of his security detail were kidnapped from the Ministry of Finance building and have not been recovered. The work on the budget and procurement modules has since been halted. In July 2007, the U.S. Embassy ordered the suspension of the IFMIS project, pending clarification of GOI support for the effort.

### **Issues Needing Immediate Attention**

The available information indicates that the selection and implementation of the IFMIS was undertaken without the fundamental planning and analysis that should properly precede the wholesale change of a country's financial man-



agement information system. Specifically, the IFMIS was reportedly undertaken without the traditional sequence of system development that should have included a conceptual design based on Iraqi requirements.

In fact, there were no attempts to produce detailed user specifications; as a result, there has not been true GOI ownership of the project.

The Board of Supreme Audit (BSA) highlighted the lack of analysis of Iraqi user requirements. BSA issued a statement pointing to shortfalls in the IFMIS implementation as a result of the lack of understanding of the existing Iraqi financial and business processes before and during the installation of the proposed new system. The U.S. Treasury Attaché confirmed that the GOI has a distinctive accounting system; it is a unique combination of cash and accrual accounts that is not easily adapted into

the IFMIS system.

Recognizing the deficiencies in the current IFMIS configuration, the GOI and the World Bank recently conducted a workshop that addressed the IFMIS as part of a broader initiative—the Public Expenditure and Institutional Assessment. World Bank officials stated that a formal assessment of the IFMIS in this broader context may be undertaken by the GOI and the World Bank. In August 2007, a survey was conducted of GOI officials to obtain the views of stakeholders on aspects of the IFMIS arrangement.

In light of these generally acknowledged concerns, the U.S. Embassy's decision to suspend the system development seems appropriate. However, the Embassy has yet to develop a strategy for the next steps in the system's implementation.

#### PRELIMINARY REVIEW OBSERVATIONS

PRE-CONDITION	PRELIMINARY OBSERVATIONS
Clear commitment and ownership	The GOI is not clearly committed to IFMIS, nor has it demonstrated strong ownership of the project. True ownership is achievable only through active involvement of the GOI in the planning and execution of any financial management information system.
Pre-conditions are ready for reform	The GOI may be ready for reform, but the ministries have not agreed on a uniform approach. Iraqi skills and training are not yet sufficient to ensure successful operation of a system. Legacy system requirements or necessary changes to those requirements have not been mapped. Although a steering group has been formed, it does not include all key players.
Project design is sound	Sound design is predicated on adequate assessments, the identification of Iraqi user requirements, and implementation planning. None of these essentials has yet been fully met.
Management of project is capable	Project management should be a joint effort of the GOI, USAID, and BearingPoint. USAID and the GOI have not been equal partners in the management of the project.
Adequate resources	The United States has been the key provider of financial resources for the IFMIS, with little financial participation from the GOI.

TABLE 3.2

## Conclusions

The U.S. government has made a substantial investment in the development of the IFMIS. However, for various reasons related principally to GOI acceptance of the system and related modules, the project has been suspended. Further, the Embassy does not have a firm plan or strategy for addressing the next steps in the development of the system.

## Recommendations

Before further U.S. expenditures are made on a financial management system for the GOI, there is a need for a complete assessment of the current IFMIS system to determine whether requirements have been adequately defined, specific milestones for achieving those requirements have been set, and system development is headed in the right direction. There is also a need to clearly define a plan of action for the way forward and for the GOI to clearly state its commitment and willingness to take ownership of any system that eventually is developed. A key step in developing the plan of action is an assessment by an independent third party with expertise developing international financial management information systems. Such an assessment may be undertaken by the World Bank.

To position the U.S. Embassy to better evaluate the IFMIS in the context of GOI's financial management needs, SIGIR recommends that the Embassy establish a working group and draw on outside experts as necessary to evaluate such factors as:

- the capabilities and shortcomings of GOI financial management capabilities

- GOI financial management system requirements
- how best to achieve those requirements and specific milestones to measure progress toward meeting those requirements
- how best to integrate the other ministries' financial systems into the Ministry of Finance's overall financial system

SIGIR further recommends that DoS condition future work and funding for a GOI financial management system on (1) securing GOI's commitment to such a system and (2) the results of a GOI-sponsored independent assessment of GOI financial management needs. Moreover, in the interim, recognizing the need for the GOI to produce financial data, SIGIR recommends that DoS help GOI determine appropriate interim solutions that will improve financial data management—especially in the provinces where financial management of data is a relatively new capability—until a new operational system is developed.

## Management Comments and Audit Response

SIGIR received comments from USAID on a draft of this report. USAID agreed with SIGIR's recommendations but stated that it is unaware of any organization performing an independent technical assessment of the IFMIS program, as stated in SIGIR's draft report. SIGIR addressed their comment in this report by stating that the World Bank is considering an assessment of Iraq's financial management information needs. SIGIR continues to believe that no further U.S. funds should be expended on the IFMIS until



it is clearly demonstrated that it supports GOI's financial management information needs and has the full support of the GOI.

USAID generally agreed with the report's findings. However, in a few areas, it disagreed and provided information which SIGIR cannot substantiate at this time. SIGIR will follow up on those areas as it completes its IFMIS review.

**Logistics Civil Augmentation Program Task Orders 130 and 151: Program Management, Reimbursement, and Transition**  
(SIGIR 08-002, OCTOBER 24, 2007)

**Introduction**

Established in 1985, the Logistics Civil Augmentation Program (LOGCAP) is a U.S. Department of the Army (Army) program that preplans for the use of global corporate resources in support of worldwide contingency operations. If U.S. forces deploy, contractor support will then be available to a commander as an option. LOGCAP has two objectives:

- provide combat support and combat service support augmentation to both combatant and component commanders, primarily during contingency and other operations (including reconstitution and replenishment within reasonable cost)
- facilitate the management and physical responsibility to support deployment, site preparation, set preparation, module operations and maintenance, redeployment, and transportation requirements for the force provider

Examples of the type of support available include supply operations, laundry and bath, food service, sanitation, billeting, maintenance, fuel services, transportation, and power generation and distribution. LOGCAP has been used to support U.S. forces in operations in Somalia, Haiti, and Bosnia and is currently being used to support operations in Afghanistan, Kuwait, and Iraq. LOGCAP support may also be authorized for other U.S. military services, Coalition forces, other government agencies, and nongovernmental organizations.

Awarded on December 14, 2001, the LOGCAP contract (DAAA09-02-D-0007) comprises a series of task orders that commit the contractor to provide support services and commit the U.S. government to pay for those services. Task orders under this contract can be either fixed-price or cost-reimbursable. In Iraq, the total cost of all 149 task orders issued under the LOGCAP contract is approximately \$22.5 billion, as of March 4, 2007.

The focus of this review is LOGCAP Task Order 130 (April 27, 2006) and Task Order 151 (June 6, 2007), which were awarded to Kellogg Brown and Root Services, Inc. (KBR). The purpose of these task orders was to provide services necessary to support, operate, and maintain the staffs of the Chief of Mission and MNF-I at the U.S. Embassy-Iraq and at other Chief of Mission sites in Baghdad, Basrah, Hilla, and Kirkuk. Task Order 130 had an estimated value of about \$283 million and expired on June 6, 2007. Task Order 151, the successor to Task Order 130, was awarded for a one-year period, with an estimated cost of \$200 million. These task orders are a

continuation of services previously awarded under Task Order 100 (November 5, 2004) and Task Order 44 (March 6, 2003). Because these task orders provided support to both the DoD and DoS missions in Iraq, the two departments reached an agreement that the reimbursement of costs associated with these task orders would be shared 60% by DoS and 40% by DoD. The total cost associated with these four task orders is approximately \$1.5 billion.

These are the primary government offices involved with the operation of Task Orders 130 and 151:

- The DoS Embassy Management Office, headed by the Counselor for Management Affairs, U.S. Embassy-Iraq, is responsible for the day-to-day support of Chief of Mission (COM) operations in Iraq.
- The DoD Joint Area Support Group-Central (JASG-C), located in the International Zone, is the military component of MNF-I that provides administrative and logistical services and coordinates military support to the U.S. Mission-Iraq.
- The Baghdad office of the Defense Contract Management Agency (DCMA) provides on-site monitoring of the contractor.
- The U.S. Army Sustainment Command is responsible for administration of the LOGCAP program. The Procuring Contracting Officer, the LOGCAP Program Manager, and the Logistical Support Element Office—established in Iraq to help customers with LOGCAP requirements—are assigned to this command.
- The DCAA provides expertise in reviewing the contractor's financial management

system and ensures that costs claimed by the contractor are reasonable, allowable, and allocable.

The Army's LOGCAP contract is a contingency umbrella contract, which is considered "a contract of last resort" for customers because of the potential additional costs associated with this type of contract. Contingency contracts are primarily designed for situations where emerging requirements are the norm, rapid response is required, and/or normal sustainment contracts are not competitively available. Under contingency contracts, the government typically assumes the financial risk with the use of cost-plus-award-fee contracts. When a condition stabilizes and a reasonable determination can be made as to the quantity and type of contract work that will be required to support a mission, customers should transition out of contingency contracts into a more normal cost-effective type of contracts.

SIGIR's prior work identified the need for improvements in clarifying contractor standards and government oversight responsibilities for the LOGCAP task orders in Iraq to ensure that services were accomplished in an efficient and effective manner and that appropriate internal controls existed for protection of government resources. SIGIR also noted concerns over reimbursement issues related to the contract.

Concurrent with this review, SIGIR is also conducting an ongoing separate review of property accountability under Task Orders 130 and 151. Results of this review will be discussed in a separate report.

## Objectives

This review is a follow-on review to a previous SIGIR report to determine whether the support provided under LOGCAP Task Order 130 was reasonable, efficient, and cost-effective. This review includes Task Order 130 and its successor, Task Order 151. The reporting objectives specifically address three issues:

1. What progress has been made in addressing contract management issues that SIGIR previously identified, and what actions are still needed?
2. Are the reimbursement issues involving costs related to, but not part of, Task Orders 130 and 151 properly addressed?
3. Are plans being considered to transition from a contingency contract to a more competitive contract mechanism in the future?

## Results

The U.S. government agencies involved in the management of Task Orders 130 and 151 have made major improvements in the government's oversight role since SIGIR's prior review of the LOGCAP contract. In particular: (1) the Army Sustainment Command has clarified contractor standards and government oversight responsibilities, (2) DCMA has implemented an independent quality assurance program, (3) both JASG-C and DoS support DCMA by providing contracting officer's technical representatives (COTRs) to assist DCMA in its contractor oversight mission, (4) DoS has clarified dining facility food-service cost standards that KBR is expected to adhere to, (5) JASG-C and DoS have taken aggressive action to ensure that billeting

operations are properly administered and billeting records reflect accurate data, and (6) DoS now recognizes that KBR's billeting operations are subject to government oversight.

The contractor, KBR, has also made significant improvements in its operations since the previous SIGIR report. KBR has improved (1) the accuracy of fuel information, as well as controls over its International Zone fuel operations; (2) its efforts to control food costs; and (3) its administration of billeting and the accuracy of billeting information. Nevertheless, problems remain in ensuring that dining facility food costs are within established standards and that fuel reports properly reflect the amounts issued to KBR by the Army.

Although progress has been made in ensuring appropriate reimbursement between DoD and DoS, problems were still noted in ensuring accurate billing for and reimbursements of both fuel and subsistence (food) used for Task Orders 130 and 151. In addition, as of September 30, 2007, the U.S. Embassy-Iraq had not issued billings to non-U.S. organizations seeking reimbursement for the cost of life support received under Task Order 151, which became effective June 6, 2007.

DoS has transitioned to its own contract for maintenance services at the new Embassy Compound, but will continue to rely on the Army's LOGCAP contingency contract for most services until the current situation in Iraq becomes more favorable for "peacetime" contractor-type operations.

## Recommendations

SIGIR recommends that DCMA take these actions:

1. Work with KBR to implement appropriate procedures to ensure that fuel received from the Camp Victory fuel depot is properly recorded based on official government receipt documents and that procedures for resolving discrepancies regarding fuel deliveries are implemented.
2. Continue to require KBR to report the amount of commercial fuel received in the remarks section of the *Monthly Bulk Petroleum Accounting Summary* form so MNF-I can differentiate between the amounts of military fuel received and commercial fuel received when preparing fuel reimbursement billings. (During the audit, initial action was taken on this recommendation.)
3. Continue to work with the Army and U.S. Embassy-Iraq to develop and implement an appropriate billing procedure for Army reimbursement billings to DoS for subsistence costs. (During the audit, initial action was taken on this recommendation.)

SIGIR recommends that the Counselor for Management Affairs, U.S. Embassy-Iraq, take these actions:

4. After appropriate notification to the non-U.S. organizations involved, initiate billings to the organizations to recover the cost of life support provided under Task Order 151 for their personnel billeted in the Embassy housing compound.
5. Work with DCMA and the Army to develop

and implement an appropriate billing procedure so DoS can reimburse the Army for appropriate dining facilities subsistence costs.

6. When security conditions in Iraq allow, consider transitioning from under the Army's LOGCAP for routine life support of the U.S. Embassy-Iraq mission and going to DoS contractual arrangements for required life support.

## Management Comments and Audit Response

SIGIR received written comments from the DoS Management Counselor's Office and JASG-C on a draft of this report. The DoS Management Counselor concurred with the recommendations and stated that the Embassy was taking action to address each recommendation. JASG-C provided technical comments that SIGIR included in the report as appropriate.

## Review of the Use of Contractors in Managing Iraq Relief and Reconstruction Projects

(SIGIR-08-003, OCTOBER 25, 2007)

### Introduction

In formulating the Iraq reconstruction program, the CPA examined several options for program management. One option considered was to have the U.S. Army Corps of Engineers (USACE) manage the entire program. However, USACE officials believed that the agency lacked the capacity in Iraq to oversee such a large program and could not rapidly assemble sufficient staff. Similarly, CPA found that USAID and the Iraqi ministries lacked the organizational capacity to manage a large, infrastructure-focused program.

Seeking a solution, CPA developed a concept paper that proposed forming a new program-management office that would rely on contractors for both the management and the execution of the reconstruction program. Technical contractors would be used to design, plan, build, and complete projects and another group of contractors would provide program management. The CPA administrator accepted that proposal, and in August 2003 approved formation of the Program Management Office (PMO) to execute that plan.

To manage its projects, the PMO established six sector program-management offices (SPMOs) organized by work sector, such as electricity and public works/water. These offices were led by government employees. To provide program-management support services for these offices, however, the Pentagon Reconstruction Program, which served as the contracting office, awarded seven cost-plus-award-fee contracts—one for the PMO and each of the six sector offices. These contracts were awarded in March 2004. The contractors awarded these contracts were known as Sector Program Management Office Contractors (SPMOCs). Over the next few years, there were several changes in project management and contract administration.

In May 2004, National Security Presidential Directive 36 replaced PMO as the program manager with a new program management office called the Project and Contracting Office (PCO). As a result, the SPMOs became the Sector Project and Contracting Offices (SPCOs), and the contractors who supported them became known as Sector Project and Contracting Office Contractors (SPCOCs). In October 2006,

USACE/GRD replaced PCO as the project manager. In this report, SIGIR refers to the government offices responsible for contract administration as SPCOs and the contractors as SPCOCs, regardless of the timeframe.

The Iraq Transition Assistance Office (ITAO) is also involved in Iraq reconstruction projects and is responsible for coordinating and overseeing all non-security assistance for the Chief of Mission (COM).

The overall objectives of this audit were to determine the roles and responsibilities assigned to the SPCOCs and the extent to which the U.S. government benefited from the services provided by the SPCOCs. Specifically, SIGIR's reporting objectives for this report were to (1) assess contractor performance in managing another contractor and (2) review the effectiveness of the government in managing the contracts.

## Results

As of June 7, 2007, the U.S. government had obligated approximately \$527.5 million for contracted program-management support services, and \$41.8 million in award fees have been authorized. These support services covered thousands of projects. Because of weaknesses in the implementation of required contracting policies, SIGIR was unable to conclusively assess how well the practice of using contractors to manage other contractors worked. Each contractor's performance was assessed and documented through an award-fee process. However, award-fee results offer only limited information on each contractor's performance and do not provide a sufficient basis to assess the practice of using contractors to manage contractors. A review of the award-fee

scores alone, however, suggests that the SPCOs were very satisfied with the performance of four of the contractors and slightly less satisfied with one.

To gain further insight on the contractors' performance, SIGIR interviewed senior GRD officials who worked with the contractors, as well as senior ITAO officials who were knowledgeable about each sector's programs. These interviews provided more details on contractor performance, but were decidedly mixed and inconclusive. GRD officials generally endorsed the contractors as effective, and ITAO officials more often expressed dissatisfaction with them. For example, in the water sector, the GRD sector lead stated that the contractor performed high-quality work, although the ITAO senior consultant believed that the contractor sidestepped the role of "watchdog" and did not aggressively oversee the design-build contractor's processes.

SIGIR also identified other contract administration practices that were not accomplished as required, including inappropriate obligations of award fees, contract administration transfer, and information disclosure practices.

Further, SIGIR is continuing to examine possible issues related to conflicts of interest between any of the contractors involved in these seven contracts. To the extent appropriate, SIGIR will report separately on these matters.

## Lessons Learned

Because work on these program-management support contracts has ended, or soon will, SIGIR makes no recommendations. However, SIGIR provides these lessons learned:

- The award-fee process can be an effective tool for creating incentive for contractors to strive for superior results. Properly documenting contractor performance in accordance with award-fee criteria is essential to making appropriate award-fee judgments.
- The success of any contractual relationship depends heavily on the quality of the direction and oversight given the contractor by the government. When government oversight is lax, the risk of problems increases.
- A prerequisite for assessing the viability of any contract management approach, such as using contractors to manage contractors, requires the effective implementation of existing contract administration practices and policies.

## Management Comments and Audit Response

USACE/GRD provided technical comments on a draft of this report. Those comments have been incorporated in the report where appropriate.

## Ongoing and Planned Audits

SIGIR primarily conducts performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes a series of focused financial reviews of major Iraq reconstruction contracts that will enable SIGIR to respond to congressional direction for a "forensic audit" of U.S. spending associated with Iraq reconstruction.



## ONGOING AUDITS

SIGIR is currently working on these ongoing audits:

- SIGIR-7010: Review of the Effectiveness of U.S. Government Contracts To Enable Budgeting and Financial Management Capabilities in Iraqi Ministries (IFMIS)
- SIGIR-7011: Review of Spending of U.S. Government Funds and Performance under Parsons Iraq Reconstruction Projects
- SIGIR-7016: Comparison of Contract Administration and Project Management—Gulf Region District, U.S. Army Corps of Engineers, and Air Force Center for Engineering and the Environment
- SIGIR-7018: Review of Spending and Performance under Blackwater Contracts (focused financial review)
- SIGIR-7019: Review of Commander's Emergency Response Program Projects over \$400,000
- SIGIR-7023: Review of Spending and Performance under Research Triangle Institute (RTI) Contracts (focused financial review)
- SIGIR-7024: Review of Spending and Performance under Parsons Iraq Joint Venture (PIJV) Contracts—Oil Sector (focused financial review)
- SIGIR-7026: Review of Spending and Performance under Development Alternatives, Inc. (DAI) Contracts—Economic Development (focused financial review)
- SIGIR-7027: Review of Spending and Performance under Perini Corp Contracts—Electric Sector (focused financial review)
- SIGIR-7029: Survey of Iraq Reconstruction

Projects Terminated for Convenience or Terminated for Default

## PLANNED AUDITS

Throughout FY 2008, SIGIR will continue work involving focused financial reviews of major Iraq reconstruction contracts, which will enable SIGIR to respond to congressional direction for a “forensic audit” of U.S. spending associated with Iraq reconstruction. SIGIR's intent is to prepare a capping report summarizing the results of that work at the completion of this series of individual audits.

As this Quarterly Report is being completed, the Congress is considering an expansion of the scope of SIGIR's work and an extension of the tenure of this temporary organization beyond the previously anticipated end-date of 2008. The focus of SIGIR's work to date has been on construction projects funded through two congressional appropriations referred to as IRRF 1 and IRRF 2, specifically on appropriations made through FY 2006. SIGIR believes that the Congress intends for SIGIR to exercise oversight over all Iraq reconstruction funds appropriated or otherwise made available through FY 2008, in addition to IRRF 1 and IRRF 2. SIGIR expects that such changes would expand SIGIR's workload in these ways:

*Non-construction projects.* The focus of much of SIGIR's work to date has been on construction projects. SIGIR would broaden its focus to activities and programs that are funded with reconstruction funds but support other than “traditional” construction efforts. The United States has expended hundreds of millions of recon-

struction dollars on critical programs, including democracy-building activities, USAID's Community Action, economic governance, private sector development, refugee support, and human rights. SIGIR's planned work would include assessments of those programs, their costs, and outcomes.

*Capping Reports.* SIGIR plans to present a series of performance audit capping reports summarizing the accomplishments within each reconstruction sector: security and law enforcement; justice, public safety infrastructure, and civil society; electric; oil; water resources and sanitation; transportation and telecommunications; roads, bridges, and construction; private sector development; education, refugees, human rights, democracy, and governance. These reports will build on the information obtained in the focused financial reviews conducted in FY 2008 and provide detailed descriptions of the projects completed in each sector and the associated costs. SIGIR would also assess how well the Iraqis are maintaining projects and the impact of each project on the local communities.

*Economic Support Fund (ESF).* SIGIR currently has authority to review the FY 2006 funds, which are approximately \$1.485 billion. It is anticipated that SIGIR will be given authority over FY 2007 and FY 2008 ESF funding, and

audits of these funds will be performed with a focus on financial controls and how outcomes are tracked and reported.

*Iraq Security Forces Fund (ISFF).* SIGIR currently has authority to review expenditures of FY 2006 funds, and it is anticipated that SIGIR's authority will be extended to cover the remaining funds. SIGIR's projected audit workload for ISFF-funded activities will include reviews of infrastructure built with ISFF funding, training and operations conducted, and equipment and transportation purchases.

*Recovery of Contract Overpayments.* In accordance with Office of Management and Budget (OMB) Memorandum M-03-07, this audit will determine whether agencies involved in Iraq reconstruction have taken action to establish a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. This requirement was mandated in Section 831 of the Defense Authorization Act for Fiscal Year 2002 by adding a new subchapter to the U.S. Code (31 USC 3561-3567). The new subchapter requires agencies that enter into contracts with a total value of more than \$500 million in a fiscal year to carry out this error identification and recovery program.



## SIGIR INSPECTIONS

This quarter, SIGIR assessed and reported on seven projects. Four of the seven were assessments of the sustainment of relief and reconstruction work funded under the Commander's Emergency Response Program (CERP). SIGIR also assessed the sustainment of a project funded under the Iraq Relief and Reconstruction Fund (IRRF). In addition, SIGIR assessed two construction projects funded by the IRRF.

SIGIR's sustainment assessments focus on whether the projects delivered to the Iraqis were operating at the capacity planned in the original contract or task order objective. To accomplish this, SIGIR determined whether the projects were at planned capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during the assessment. In addition, SIGIR determined if sustainability was adequately planned for and whether it is likely to continue.

These were the general objectives of SIGIR's construction assessments:

- Were project components adequately designed before construction or installation?
- Did construction or rehabilitation meet the standards of the design?
- Were the contractor's quality control and the U.S. government's quality assurance programs adequate?
- Were project sustainability and operational effectiveness adequately addressed?
- Were project results consistent with original objectives?

Since the Inspections program began in the summer of 2005, SIGIR has completed 102 project assessment reports, 96 limited on-site inspections, and 388 aerial assessments.

This quarter, security continues to impede Iraq reconstruction projects and SIGIR assessments, extending delays in travel to assessment sites, and limiting access to the sites. In Mosul, the U.S. Army and both private security contractors for the U.S. Army Corps of Engineers (USACE) could not honor the SIGIR assessment team's requests for escort to any inspection sites for five days because of the security situation at the time. The inspection team spent two weeks in Mosul, and neither the U.S. Army nor the security contractors considered it sufficiently safe to escort the team to one of the four CERP project sites. Consequently, the assessment team was unable to make an on-site assessment of one of its announced projects.

Table 3.3 lists the project assessments that SIGIR completed this quarter. For a complete list of project assessments from previous quarters, see Appendix J. Figure 3.1 shows the approximate location of each project assessed this quarter.

SIGIR Project Assessments

This section provides summaries of SIGIR project assessment reports completed this quarter. For the full reports, see the SIGIR website, [www.sigir.mil](http://www.sigir.mil).

Relief and Reconstruction Funded Work at Mosul Dam, Ninewa Governorate  
SIGIR PA-07-105

The Mosul Dam was constructed on a foundation of soluble soils that are continuously dissolving, resulting in the formation of underground cavities and voids that place the dam

at some continuing risk and thus requires a continuous grouting program to mitigate. The objective of the original task order and associated contracts was to conduct studies specifically related to the Mosul Dam’s problems, identify the most critical problems and develop solutions, and to implement those solutions. The project was funded through the Iraq Relief and Reconstruction Fund (IRRF) and administered by the U.S. Army Corps of Engineers (USACE), Gulf Region Division (GRD).

The U.S. government funded short-term solutions to the Mosul Dam problem, while the Iraqi Ministry of Water Resources was responsible for implementing a long-term solution. The short-term solutions required the Ministry to be given the most critically needed replacement and spare parts for grouting operations, assistance with its massive grouting program, and enhanced grouting to augment

SEVEN PROJECTS ASSESSED THIS QUARTER

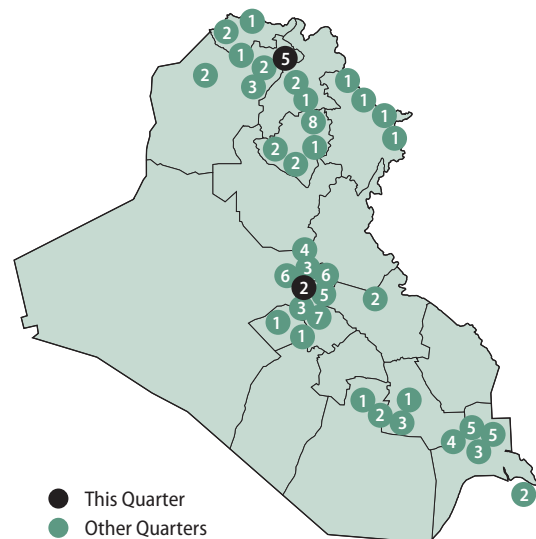
PROJECT NAME	ASSESSMENT TYPE	GOVERNORATE	BUDGETED COST (MILLIONS)	EXECUTING AGENCY	FUNDING SOURCE	CONTRACTOR	GRD REGION
Relief and Reconstruction Funded Work at Mosul Dam	Construction	Ninewa	\$27.1	GRD	IRRF	Various	GRN
Qudas Power Plant Turbine Restoration	Sustainment	Baghdad	\$90.6	GRD	IRRF	Fluor AMEC, LLC	Central
Qudas Power Plant Expansion	Construction	Baghdad	\$147.4	GRD	IRRF	Various	Central
Showairrej to Tak Harb Road Paving	Sustainment	Ninewa	\$1.4	GRN	CERP	Local	North
Bartilla New Road Paving	Sustainment	Ninewa	\$0.148	GRN	CERP	Local	North
Right Bank Drinking Water Treatment Plant Rehabilitation	Sustainment	Ninewa	\$1.7	GRN	CERP	Local	North
Bartilla Booster Pump Station Repair	Sustainment	Ninewa	\$0.237	GRN	CERP	Local	North

TABLE 3.3

FIGURE 3.1

**PROJECT ASSESSMENTS**

Approximate locations of the 102 projects where inspections were conducted, analyzed, and reported to date.



Site Photo 1. Mosul Dam in operation (photo courtesy of ITAO).

their grouting efforts. Twenty-one contracts,<sup>433</sup> worth approximately \$27 million, were to help with short-term solutions at the dam.

**Project Assessment Objectives**

The objective of this project assessment was to provide real-time relief and reconstruction project information to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined whether:

- construction or rehabilitation was in compliance with the standards of the design
- an adequate quality management program was utilized
- sustainability was addressed in the contract or task order for the project
- the project results were consistent with its original objectives

**Conclusions**

The assessment came to a number of conclusions:

Although most of the contracts awarded were of the simple procurement type, several required design drawings and specifications. For example, design drawings and specifications were necessary for the construction of the stationary silos, the procurement and installation of five grout-mixing plants, and the comprehensive and relational diagram or schematic drawings of the complete assembly and implementation of the Intelligrout system<sup>434</sup> and enhanced grouting equipment for use inside and outside the Mosul Dam gallery. GRD provided the design drawings for the stationary silos and mixing plants; however, no comprehensive and relational diagram or schematic drawings existed for the Intelligrout system and enhanced grouting equipment.

After a thorough review of all available design drawings, SIGIR found the drawings to be deficient, leading to a number of safety concerns. For example, the stationary silos design drawings lacked significant details, such



Site Photo 2. View of the partially constructed stationary silos.



Site Photo 3. Close-up view of foundation bolts for the stationary silos.

as bracing support for the entire height of the silos and how the Ministry of Water Resources personnel will deposit cement into the silos. For the 100-m<sup>3</sup>/hour grout-mixing plant and the four 30-m<sup>3</sup>/hour grout-mixing plants, the design drawings clearly indicated the contractor was offering *concrete*-mixing plants, not the required *grout*-mixing plants.

SIGIR identified an instance where construction did not appear to be adequate. The SIGIR team observed that some foundation bolts cast within concrete columns had insufficient thread to properly fasten the nuts. Specifically, SIGIR determined that 43 of the 144 (30%) foundation bolts were inadequately installed. Further, the installation of the foundation bolts also contradicted the contractor's own design construction techniques, which required bolt threads to extend higher than the nut. Complete design drawings are needed to determine if the remaining foundation bolts are adequately secured within the foundation

or pose a serious threat of failure. Because each stationary silo will hold approximately 1,500 tons of cement, SIGIR believes that the inadequate installation of the foundation bolts leaves these structures in a potentially dangerous condition.

Iraq Transition Assistance Office (ITAO) representatives have significant concerns with the quality of the contractor's work; therefore, the contractor was terminated for default, and a new contract will be issued to construct new stationary silos at a different location on the Mosul Dam property. Consequently, a critical project awarded 19 months ago must be re-awarded, thereby significantly delaying its completion date, and the \$635,138 already paid to the contractor resulted in a potentially unsafe silo framework.

The mixing plants contract required construction and installation of five mixing-plants. SIGIR observed the single 100-m<sup>3</sup>/hour "modified" grout-mixing plant; however, it was



Site Photo 4. Close-up view of foundation bolts for the stationary silos.

not operational due to control room issues. For the 30-m<sup>3</sup>/hour mixing plants, SIGIR found various pieces of two unassembled mixing plants on site. The construction for the two unassembled mixing plants was not in compliance with the contract requirement that the contractor deliver and install functioning mixing plants. According to the Material and Inspection Report (September 6, 2006), the contractor delivered two 30-m<sup>3</sup>/hour mixing plants “with all the accessories including valves, piping, screw conveyors, control room, control panel” and “50% Spare Parts according to the contract.” However, the lack of any construction made it impossible for SIGIR to determine if the contractor delivered all the material necessary to construct the two mixing plants. In addition, none of the spare parts allegedly delivered could be located. Finally, even though the contractor did not install either mixing plant and may not have provided all the required components and spare parts,

GRD paid the contractor in full (\$604,000).

The quality management program did not adequately ensure the correct delivery and construction of materials and equipment at the Mosul Dam. SIGIR judged the contractors’ quality control (QC) programs to be deficient because many invoices did not provide the materials and equipment claimed on invoices. For example, one contractor’s invoice claimed the delivery of four contract-specified submersible pumps with 54-m<sup>3</sup>/hour capacity with 20-meter lift capability, but the pumps actually delivered were 36-m<sup>3</sup>/hour capacity with 17.5-meter lift capability.

In addition, there was no evidence that a contractor QC program was implemented for the construction of the stationary silo. Further, there was no indication that the contractor employed anyone to determine the quality of the stationary silos’ construction. SIGIR observed inadequately installed foundation bolts (see site photos 2-4); however, nothing in



the project file documents identified this as a potential problem.

The U.S. government quality assurance (QA) program was not adequate. Even though GRD viewed the 21 contracts as procurement contracts only, a QA program was necessary to verify that the contractors delivered the materials and equipment required by the contracts. GRD transferred the responsibility to accept contractor deliveries of materials and equipment to Ministry of Water Resources personnel. This required the ministry to create a receiving committee to verify the delivery of materials and equipment from multiple contractors. However, according to the Mosul Dam manager, the Project and Contracting Office instructed him to sign for anything received from contractors.

GRD provided the dam manager with limited contract specifications for 13 of the 21 contracts prior to contractor deliveries of materials and equipment. For the contracts for which the ministry personnel did not have specifications, the receiving committee was forced to compare the actual delivered items against the contractors' invoice lists. In several cases, the ministry's receiving committee quickly documented and notified GRD that the contractor had not provided the correct materials and/or equipment. For example, when the contractor failed to provide the contract-specified submersible pumps, the ministry identified this error and reported it to GRD two days after delivery; nevertheless, the contractor was paid in full for delivering equipment that did

not meet contract specifications.

According to GRD representatives, the 21 contracts were procurements for equipment, materials, and services—rather than construction contracts—even though the assembly of the stationary silos and mixing plants obviously required significant construction efforts. GRD was not aware of the inadequately installed foundation bolts, which leaves this structure in a potentially dangerous condition. In addition, there is no indication that anyone at GRD was tracking the project's completion progress as distinct from invoices paid. This was important because the project was significantly behind schedule. Consequently, the contractor was paid approximately 81% of the contract's value for the inadequately constructed partial structure when the Show Cause Order was issued.

Further, because no government representative was on site to verify contractor deliveries, SIGIR cannot determine if the deliveries were actually made. For example, one contractor submitted invoices for 1,017 steel pieces for the stationary silos; however, during the site visit, as many as 900 steel pieces were either unaccounted for or missing.

Many of the contracts addressed sustainability in the form of spare parts for pieces of the procured equipment. For instance, the mixing-plants contract required the contractor to provide 50% spare parts by delivering additional items for the single 100-m<sup>3</sup>/hour grout-mixing plant (see site photo 5) and the four 30-m<sup>3</sup>/hour grout-mixing plants.



Site Photo 5. View of the “modified” 100-m<sup>3</sup>/hour grout-mixing plant.

The spare parts were included to provide the ministry with additional equipment to keep the mixing plants operational if a specific item wore out. Even though the Material and Receiving Report indicated that the contractor delivered the spare parts, SIGIR could not locate any during the site visit. Although sustainability was addressed in many individual contracts, because of the numerous discrepancies between invoices from different contractors compared to what was actually received and because there was no government representative on site to verify each contractor’s deliveries, there is no assurance that the spare parts actually arrived.

The execution of the 21 contracts, valued at \$27 million, was not consistent with the original project objectives to provide the Mosul Dam and Ministry of Water Resources personnel with critically needed spare and replacement parts and the ability to conduct massive grouting or to fully implement enhanced grouting.

The procurement and delivery of spare and replacement parts for the ministry was partially consistent with the original objectives. Multiple contracts, valued at approximately \$5.6 million, were awarded for materials and equipment to avoid any interruption of current grouting operations. Because of limited time at the site, SIGIR could not inspect every delivery to determine if it met contract requirements. Therefore, SIGIR relied on reviews of the contract files and interviews of ministry personnel to determine if the required equipment and materials had been delivered.

Multiple contracts were awarded to provide for materials and equipment; nevertheless, in several instances, what was delivered did not meet contract specifications. In addition, because no U.S. government representative was on site to verify the delivery of the materials and equipment, SIGIR could not be assured that all of the required equipment was delivered to the Mosul Dam. SIGIR identified several instances in which the delivered materials and equipment did not meet the contract



Site Photos 6 and 7. Interior views of an Integrated Analytical System unit.

specifications, but after discussions with Ministry of Water Resources personnel, it appears that most of the contractor-delivered materials and equipment were usable by the ministry to continue current grouting operations.

Approximately \$19.4 million in multiple contracts were awarded for the massive and enhanced grouting programs. SIGIR observed an inadequately constructed partial stationary silo structure, which provides no usable benefit to the Ministry of Water Resources. In addition, because of the inability of the U.S. government's Evaluation Committee to notice the "CONCRETE BATCHING PLANT" cover pages on the contractor's submittals for the 100-m<sup>3</sup>/hour and 30-m<sup>3</sup>/hour grout-mixing plants, the contractor believed that he was to deliver concrete-mixing plants. This led to an increase in contract cost and time delays.

A contract modification of \$920,000 was issued to "modify" the concrete-mixing plants into the required grout-mixing plants. To date, \$324,000 has been paid to the contractor for attempts to modify the concrete-mixing plants into grout-mixing plants even though the 100-m<sup>3</sup>/hour grout mixing plant is still inoperable, and the contract for the four 30-m<sup>3</sup>/hour grout-mixing plants has been terminated. As

a result, the three mixing plants currently provide no usable benefit to the ministry. Because the contract required the delivery of the five grout-mixing plants by July 2006, the massive grouting and enhance grouting programs are now more than one year behind schedule.

The Advanced Grouting System, a significant portion of the enhanced grouting program, is also non-operational. The system comprises the Intelligrout system and enhanced grouting equipment, valued at approximately \$16.4 million. The three Integrated Analytical System units continue to experience a variety of significant problems, delaying their use (see site photos 6 and 7), and the enhanced grouting equipment remains unused because of a lack of comprehensive and relational diagram or schematic drawings to identify how the components are completely assembled and operate.

Consequently, at the time of SIGIR's site visit, approximately \$19.4 million worth of equipment and materials delivered to the Mosul Dam for the implementation of the massive and enhanced grouting operations currently do not provide benefit to the Ministry of Water Resources.



### Post Delivery Support Plan

According to ITAO, the Ministry of Water Resources has used materials and equipment procured by the GOI, the U.S. government, and other international donors to improve its current traditional grouting operation; however, full implementation of the enhanced grouting operation is necessary to augment ministry efforts to improve dam grouting. ITAO representatives<sup>435</sup> are finalizing a detailed plan, the Post Delivery Support Plan, to provide the dam and the ministry with the required equipment and materials to improve current grouting operations and fully implement the enhanced grouting operation. For example, this plan calls for making the Integrated Analytical System units fully operational and procuring additional 30-m<sup>3</sup>/hour grout-mixing plants. ITAO representatives express confidence that the plan will adequately resolve the outstanding issues and problems and facilitate the ultimate implementation of the enhanced grouting.

### Recommendation

SIGIR shares the concerns expressed by USACE, the Commander of the Multi-National Force-Iraq, and the U.S. Ambassador regarding problems at the dam. In view of the issues raised by this assessment and the resultant lack of significant progress in improving basic grouting capability, as well as the fact that equipment for enhanced grouting and the Integrated Analytical System were delivered but are not operational, SIGIR recommends that the ITAO Director expedite implementation of the Post Delivery Support Plan.

### Management Comments

SIGIR received comments on a draft report from the Deputy Chief of Mission for the U.S. Embassy-Iraq, advising that ITAO concurred with the report's general findings and recommendation. Specific comments were also provided to correct perceived errors and to suggest clarifications.

Subsequent to the issuance of the draft report, GRD provided additional information and documentation. GRD also requested and was granted an extension of time for formal comments on the draft report. GRD's formal comments concurred with the recommendation and provided clarifying information for the final report.

Two days after the receipt of GRD's formal comments, USACE and GRD representatives contacted SIGIR, indicating that they were concerned with the accuracy of the final report and that they wished to provide additional information. SIGIR subsequently contacted the GRD commander and further revised the report to address his concerns.

### Evaluation of Management Comments

SIGIR appreciates the concurrence by ITAO and GRD with the recommendation to expedite implementation of the Post Delivery Support Plan.

SIGIR reviewed the information, documentation, and clarifying comments provided both formally and informally by ITAO, GRD, and USACE and revised the final report as appropriate. Comments received are provided verbatim in the final report.



Site Photo 8. General Electric Frame 9E turbine unit.

### Indications of Potential Fraud

During this inspection, SIGIR found indications of potential fraud and referred these matters to the SIGIR Assistant Inspector General for Investigations, for such actions as deemed appropriate.

### Qudas Power Plant Turbine Restoration, Baghdad, Iraq

SIGIR PA-07-101

### Qudas Power Plant Expansion, Baghdad, Iraq

SIGIR PA-07-104

These project assessments were initiated as part of SIGIR's continuing assessments of selected reconstruction activities funded by the IRRF.

The objective of the Qudas Power Plant Turbine Restoration (SIGIR PA-07-101) project included requirements to inspect, evaluate, restore, convert to crude-oil firing, and start up two General Electric (GE), Frame 9E combustion gas turbine units (see site photo 8). In addition, the turbine unit restoration project included requirements to evaluate, restore, commission, and turn over four GE LM-6000 units (see site photo 9).

The Qudas Power Plant Expansion (SIGIR PA-07-104) project provided for the design, manufacturing, delivery to the site and off-loading, erection, painting, commissioning,

start-up, testing, and turn over of two new GE Frame 9E open-cycle gas turbine units.

The restoration of the turbine units previously installed and addition of two new turbine units will strengthen the “Baghdad Ring,”<sup>436</sup> increasing the supply of available electricity by as much as 584 megawatts (MW). Turbine restoration, installation, and sustainment activities at the Qudas Power Plant are valued at approximately \$238 million.

### Assessment Objectives

The overall objective of these assessments was to provide timely relief and reconstruction project information to interested parties to enable appropriate action, when warranted.

In PA-07-101, SIGIR determined whether:

- the project was at full capability or capacity when accepted by the U.S. government, when transferred to Iraqi operators, and when observed by SIGIR inspectors
- sustainability for full capacity operations was adequately planned and likely to continue

In PA-07-104, SIGIR determined whether:

- project components were adequately designed before construction or installation
- construction or rehabilitation work complied with the design standards

Site Photo 9. General Electric LM-6000 turbine unit.



- contractor QC and U.S. government QA programs were adequate
- project outcome was consistent with original objectives
- project sustainability was adequately addressed in the contract or task order

### Conclusions

These projects had two main objectives—the restoration of previously installed turbines and the ability to sustain operations and maintenance of the restored turbines and the expanded capacity of Qudas Power Plant.

**Turbine Restoration.** Qudas projects to restore turbine units and expand electricity generation capacity were adequately designed and either properly completed or progressing satisfactorily at the time of SIGIR's assessment. Specifically, the work required to restore four GE LM-6000 and two GE Frame 9E turbine units at Qudas Power Plant under the requirements of Task Order 0006 was satisfactorily completed on January 28, 2006.

In addition, work required under contract W91GXY-06-C-0094 to expand Qudas capacity by more than 200 MW (by installing

two new GE Frame 9E units) was consistent with the objectives and progressing satisfactorily as of August 15, 2007. This occurred because project requirements were adequately specified in each contract or task order, and construction management practices enforced compliance with specifications and requirements. Also, contractor QC and the government's QA programs were satisfactory. As a result, approximately 584 MW of additional electricity will be available to the power grid.

**Sustainability.** Sustainability was adequately planned and addressed in applicable contracts or task orders. The U.S. government demonstrated a strong commitment to programs designed to mentor Ministry of Electricity personnel and to sustain operations in the short term. Specifically, contract W91GXY-06-C-0066 provided a program designed to mentor the ministry staff in the managerial skills and resources needed to properly operate and maintain Iraq's electric utility system.

USACE GRD has implemented additional programs to help ensure that generation assets received or will receive scheduled inspections and maintenance to enhance the likelihood



Site Photo 10. Newly constructed road with shoulders.

of sustainable operations in the short term. Further, ministry personnel, contractors, and U.S. government officials will need to continue to effectively coordinate and communicate to ensure program effectiveness. The long-term sustainability of generation assets will depend primarily on whether the Government of Iraq can implement and fund an effective electric power generation operations and maintenance program at the Qudas Power Plant.

### **Recommendations and Management Comments**

SIGIR's report does not contain any negative findings or recommendations for corrective action. As a result, management comments are not required. However, USACE GRD reviewed the draft report and offered no additional information or comments.

### **Showairrej to Tak Harb Road Paving, Ninewa Governorate, Iraq**

SIGIR PA-07-107

The objective of the project was to construct a new 11-kilometer (km) asphalt road, with shoulders, from the main rural road to the villages of Showairrej, Taq Meka'ael, and Tak Harb, in the Ninewa governorate. This road serves multiple villages with large indigenous populations, bringing emergency services, transportation, and opportunity for commerce to this underdeveloped area. The contract included specific requirements for adhering to Iraqi Building Codes. On September 13, 2006, a firm-fixed-fee contract of \$1,439,175 was awarded to a local contractor for the road paving.

### **Project Assessment Objectives**

The objective of this project assessment was to provide real-time relief and reconstruction project information to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined whether the project was operating at the capacity stated in the original contract. To accomplish the



Site Photo 11. Box culverts for new road.

objective, SIGIR determined if the project was at full capability or capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during the site inspection on September 19, 2007.

### Conclusions

The new asphalt road contributes to economic activity, emergency response, law enforcement, and safe pedestrian travel between Showairrej, Taq Meka'ael, and Tak Harb in the Mosul District of the Ninewa governorate (see site photos 10 and 11). It replaced a road that was impassable, especially during the rainy season. Adequate QM oversight by the contractor and the U.S. government enforced the contract's Statement of Work, ensuring construction quality and completeness.

In addition, a review of the contract file did not reveal any sustainability issues associated with the project turnover. There was no need for specialized equipment to be provided by the contract or for any maintenance manuals.

### Recommendations and Management Comments

SIGIR's report does not contain any negative findings or recommendations for corrective action. As a result, management comments are not required. However, USACE GRD reviewed the draft report and offered no additional information or comments.

### Bartilla New Road Paving, Ninewa Governorate, Iraq

SIGIR PA-07-108

The objective of the Bartilla New Road Paving project was to construct six new municipal road segments in the town of Bartilla, in the Ninewa governorate. On August 31, 2006, a firm-fixed-fee contract of \$147,560 for road paving was awarded to a local contractor. The contractor was required to comply with the "Standard Specification for Roads and Bridges," issued by the Iraqi Ministry of Housing and Construction in 1983, as amended.

### Project Assessment Objectives

The objective of this project assessment was to determine whether the project was operating





Site Photo 12. Road excavation, leveling, and rolling of the sub-grade (photo courtesy of USACE).



Site Photo 13. Aggregate base and concrete base pour (photo courtesy of USACE).

at the capacity stated in the original contract. To accomplish the objective, SIGIR determined whether the project was at full capability or capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during the site inspection on September 19, 2007.

### Conclusions

During SIGIR's visit to the site, the six municipal road segments operated as fully functioning roads, replacing the existing unpaved dirt roads (see site photos 12-14). The project was adequately designed prior to construction, and the contractor and U.S. government performed adequate QM oversight, which enforced the contract terms and ensured construction quality and completeness.

Additionally, a review of the contract file disclosed no sustainability issues associated with the project turnover. The contract did not require any specialized equipment or maintenance manuals.

### Recommendations and Management Comments

SIGIR's report does not contain any negative findings or recommendations for corrective action. As a result, management comments are not required. However, USACE GRD reviewed the draft report and offered no additional information or comments.

### Right Bank Drinking Water Treatment Plant Rehabilitation, Ninewa Governorate, Iraq SIGIR PA-07-106

The objective of the project was to rehabilitate and upgrade the existing 182,000-cubic-meters-per-day ( $\text{m}^3/\text{day}$ ) drinking water treatment plant, including the repair of pumps, mixers, settling tanks, pressure filters, and chlorine closing units. This project was needed to bring the residents of Mosul fresh, potable water to drink. Its secondary objective was to maximize rapid employment opportunities for local Iraqis. On September 30, 2005, a firm-fixed-fee contract of \$1,714,233.43 was awarded to a local contractor.



Site Photo 14. Newly constructed road.



Site Photo 15. Settling tank (photo courtesy of USACE).

### Project Assessment Objectives

The objective of this project assessment was to determine whether the project was operating at the capacity stated in the original contract. To accomplish the objective, SIGIR sought to determine if the project was at full capability or capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during a site inspection. However, security conditions prevented the SIGIR assessment team from visiting the site.

### Conclusions

SIGIR's assessment of the Right Bank Drinking Water Treatment Plant included review and analysis of the contract, related contract documentation, contract Statement of Work, design package (drawings and specifications), QC and QA reports, construction progress photos, final situation report, invoices, submittals, closeout documents, and aerial imagery of the site.

Because of increased insurgent activity in the Mosul area during the two weeks when the inspection team was there, the private security contractors and the U.S. Army could not honor the inspection team's requests for escort to the Right Bank Drinking Water Treatment Plant. Consequently, the assessment team was unable to perform a site assessment and had to rely on USACE documentation and aerial imagery. However, USACE documentation confirmed

that contract provisions were met, and the drinking water treatment plant was operational at the time of turnover to the Mosul Water Company (see site photo 15). In addition, USACE documentation showed that the contractor and the U.S. government performed adequate QM oversight, which enforced contract provisions and ensured construction quality and completeness.

### Recommendations and Management Comments

SIGIR recommended that the Commander, GRN, send representatives to visit the site when security conditions become more stable to determine the current condition of rehabilitated and upgraded equipment and facilities. The Commander, GRD, concurred with the recommendation agreeing to have GRN representatives visit the site when security conditions permit. SIGIR appreciates the prompt response from GRD and agreed with the suggested corrective action.

### Bartilla Booster Pump Station Repair, Ninewa Governorate, Iraq

SIGIR PA-07-109

The project objective was to repair the booster pump station to provide potable water, at a rate of 200-m<sup>3</sup>/hr, to the residents of Bartilla, in the Ninewa governorate. The contract included

Site Photo 16. General maintenance on the interior of the booster pump room.



specific requirements that materials and equipment were to be replaced with equipment that met the original design intent of the facility. In addition, where new material or equipment was specified, new items should adhere to British or the equivalent international codes and standards. On August 31, 2006, a firm-fixed-fee contract of \$237,500 for the booster pump station repair was awarded to a local contractor.

### **Project Assessment Objectives**

The objective of this project assessment was to provide real-time relief and reconstruction project information to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined whether the project was operating at the capacity stated in the original contract. To accomplish the objective, SIGIR determined if the project was at full capability or capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during the site inspection on September 19, 2007.

### **Conclusions**

SIGIR's assessment of repairs at the Bartilla Booster Pump Station included a review and analysis of the contract, related contract documentation, contract Statement of Work, design package (drawings and specifications), QC and QA reports, construction progress photos, final situation report, invoices, submittals, and closeout documents.

Because of increased insurgent activity in the Mosul area during the two weeks when the inspection team was there, escort to the Bartilla Booster Pump Station by the private security contractor was delayed for five days. When an escort finally could be provided, no interpreter was available and the escort limited the assessment team to an expedited site visit. The assessment team observed that there was no electrical power available at the time of the site visit, and the pump station was not operating. The assessment team could not communicate with the two Iraqis at the station; consequently, SIGIR could not determine the reason the station was not operational on the day of the site visit. Further, the assessment team could



not determine the post-turnover equipment operations and maintenance management and facility/building maintenance practices by the Directorate of Ninewa Water personnel.

USACE documentation confirmed that contract provisions were met and that the Bartilla Booster Pump Station was operational at the time of turnover to the Directorate of Ninewa Water (see site photo 16). The documentation also showed that the contractor and the U.S. government performed adequate QM oversight, which enforced contract provisions and ensured construction quality and completeness.

#### **Recommendations and Management Comments**

SIGIR recommended that the Commander, Gulf Region North, send representatives to visit the site when security situations become more stable to determine why the booster pump station was not operational on September 19, 2007. The Commander, Gulf Region Division concurred with the recommendation agreeing to have Gulf Region North representatives visit the site when security conditions permit. SIGIR appreciates the prompt response from GRD and agreed with the suggested corrective action.



DigitalGlobe 2007 ©

Aerial Image 1. Imagery overview of the Shasheed Shazad Power Plant taken on July 6, 2007.



DigitalGlobe 2007 ©

Aerial Image 2. Imagery taken on August 3, 2007, of the Al Mawsil Bedoush dam site, a proposed backup dam for the Mosul Dam, which was assessed this quarter in SIGIR PA-07-105.

## Aerial Project Survey Program

The SIGIR Satellite Imagery Group, based in Arlington, Virginia, has been conducting aerial assessments of U.S.-funded reconstruction project sites throughout Iraq since November 2005. SIGIR satellite imagery analysts provide up-to-date imagery, imagery-based intelligence, and map products to the SIGIR Inspections, Audit, and Investigations directorates. This has enabled SIGIR to provide current information on remote site locations and to track construction progress at project sites throughout Iraq.

This quarter, SIGIR imagery analysts created 46 imagery products using satellite imagery and limited available contract information on 35 reconstruction projects. The imagery obtained provides visual assessment of progress at reconstruction site locations throughout Iraq. SIGIR shares its imagery products with government contracting agencies to update their project information and to identify any

obvious deficiencies. SIGIR imagery analysts assessed and reviewed the CERP projects evaluated this quarter and 17 other sites:

### Imagery Products, not including CERP projects:

- 5 border forts
- 4 satellite dishes
- 3 military bases
- 2 municipal locations
- 2 dams
- 1 power substation

### CERP projects:

- 5 water treatment facilities
- 5 schools
- 4 hospitals
- 3 road segments
- 1 power station

Imagery support products—including site overviews, project site break-outs, and site



Aerial Image 3. Imagery overview of the Right Bank Drinking Water Treatment Plant taken on February 27, 2007.



Aerial Image 4. Overview of the Mosul Dam, which SIGIR inspectors visited this quarter.

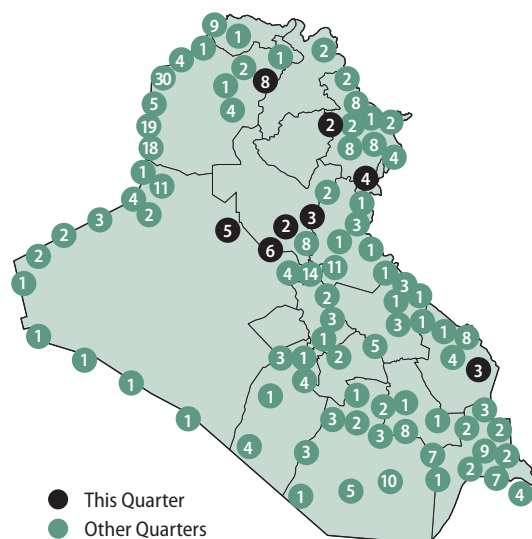
assessments—are used to prepare for inspection site visits and to identify possible problems (See aerial images 1, 2, 3, and 4).

Six Iraq overview maps and two satellite images of the International Zone in Baghdad were provided to other SIGIR directorates this quarter. One of these maps required research of four separate sites and was custom-made for use in an audit report. An imagery product of a U.S. facility was provided to the Investigations Directorate.

In partnership with the National Geospatial-Intelligence Agency and the National Ground Intelligence Center, SIGIR imagery analysis has resulted in 388 cumulative satellite imagery assessments and products (Figure 3.2).

FIGURE 3.2

## AERIAL IMAGERY ASSESSMENTS





## SIGIR INVESTIGATIONS

This quarter, SIGIR Investigations continued its work with a wide range of U.S. agency partners to pursue allegations of fraud, waste, and abuse in Iraq reconstruction. SIGIR currently has 52 open investigations, 30 of which are under the prosecutorial control of the U.S. Department of Justice (DoJ). Six SIGIR agents are in Baghdad, and 13 are in Arlington, Virginia.

As of October 30, 2007, SIGIR investigations have produced these results: 5 people have been convicted and sentenced, 13 have been arrested, and 8 will be tried in 2008. To date, SIGIR has opened 332 cases and closed or referred 275. SIGIR investigations have resulted in \$17.242 million in court-ordered restitutions, forfeitures, and recoveries.

### SIGIR and Its Investigative Partners

This quarter, SIGIR investigators were aggressively engaged with a number of U.S. agencies and joint agency task forces in Iraq and the United States. In Iraq, SIGIR worked closely with these agencies:

- U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit (CID-MPFU)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)
- Defense Criminal Investigative Service (DCIS)
- Federal Bureau of Investigation (FBI)

SIGIR continues its work on the **International Contract Corruption Task Force** (ICCTF), a joint agency task force comprising SIGIR, CID-MPFU, DCIS, FBI, Department of State Office of Inspector General (DoS OIG), and USAID OIG. The ICCTF coordinates the work of all of the U.S. agencies in theater, including SIGIR.

SIGIR also participates in other joint agency task forces, including the **National Procurement Fraud Task Force** (NPFTE), created by DoJ in October 2006. SIGIR is a major participant on several subcommittees of the NPFTE, most notably on the **International Working Committee** (IWC). The IWC links DoJ and federal law enforcement agencies and provides a venue to discuss investigative and prosecutorial issues.

In addition to the ICCTF agencies, SIGIR also regularly works with these agencies in the United States:

- LOGCAP (Logistics Civil Augmentation Program) Taskforce
- Immigration and Customs Enforcement (ICE)
- Internal Revenue Service, Criminal Investigation Division (IRS-CID)
- U.S. Army Suspension and Debarment
- DoJ Commercial Litigation Section, Civil Division

This quarter, SIGIR continued its participation with the ongoing Defense Finance and Accounting Service project in Rome, New



York. DCIS initiated this project to detect fraud involved with payments made by the U.S. Army to support the war effort in Iraq.

The LOGCAP Taskforce in Rock Island, Illinois, continued to prosecute a wide variety of cases of fraud and other criminal conduct related to U.S. reconstruction activities in Iraq. The taskforce includes the U.S. Attorney’s Office, Central District of Illinois; FBI; IRS; DCIS; and U.S. Army CID-MPFU. Although not a member of this group, SIGIR reports the taskforce’s cases to show the overall picture of fraud in Iraq. For details on convictions and indictments, see Table 3.4.

Legal Actions this Quarter

This quarter, the largest bribery case to date in Iraq continued to progress through the legal system. In September, Major John Cockerham; his wife, Melissa Cockerham; and his sister, Carolyn Blake, were charged in an indictment that superseded the original July 23, 2007 complaint alleging more than \$9.6 million in bribes received from Iraqi contractors. This case has been scheduled for trial in April 2008 in San Antonio. CID-MPFU led the investigation, and SIGIR, DCIS, ICE, IRS, and FBI supported this work.

SIGIR continues to refer cases to the U.S. Army for debarment and suspension. Since the

last Quarterly Report, the Army has suspended five individuals and companies, proposed five more for debarment, and debarred three for allegations of fraud and misconduct connected to U.S. reconstruction activities in Iraq. As of October 30, 2007, a total of 17 individuals and contractors have been debarred. Figure 3.3 lists the debarments and suspensions that occurred this quarter. For details on debarments and suspensions and debarments, see Appendix K.

DEBARMENTS AND SUSPENSIONS THIS QUARTER

DEBARRED	
Bloom, Philip H.	8/8/2007
Global Business Group S.R.L.	8/8/2007
Stein, Robert J., Jr.	8/16/2007
PROPOSED FOR DEBARMENT	
Reviewer Management International Limited (RMI)	9/10/2007
Raggio, Robert A.	9/10/2007
Barton, Eric Wayne	9/14/2007
Hopfengardner, Bruce D. (LTC, USAR)	8/8/2007
Merkes, Steven	8/15/2007
SUSPENDED	
Rivard, John Allen (MAJ, USAR)	8/10/2007
Blake, Carolyn	8/15/2007
Cockerham, John L. (MAJ, USA)	8/15/2007
Cockerham, Melissa	8/15/2007
Key, Austin (CPT, USA)	8/27/2007

FIGURE 3.3

## CONVICTIONS AND INDICTMENTS

NAME	POSITION	CONTRACTOR/COMPANY/ AGENCY	CHARGES	DATE OF CONVICTION	SENTENCE	DATE OF SENTENCE
<b>Investigations Led by SIGIR</b>						
Philip Bloom	Owner	Global Business Group, GBG Holdings & GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years of supervised release; \$3.6 million in restitution and \$3.6 million in forfeiture	2/16/2007
LTC Bruce D. Hopfengardner	Special Advisor to the CPA-SC	U.S. Army Reserves	Conspiracy and conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison, \$144,500 forfeiture, 3 years supervised release	6/25/2007
Steven Merkes	DoD Civilian	U.S. Army Reserves	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison; \$24,000 in restitution	6/1/2007
Faheem Mousa Salam	Interpreter	Titan Corporation	Violating the FCPA's Anti-Bribery Provisions	8/24/2006	3 years in prison; 2 years of supervised release; 250 hours of community service	2/2/2007
Robert Stein	CPA-SC Comptroller and Funding Office	CPA	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years of supervised release; \$3.5 million in restitution and \$3.6 million in forfeiture	1/29/2007
Curtis G. Whiteford	Colonel	U.S. Army Reserves	Conspiracy, bribery, and wire fraud	n/a		
Michael B. Wheeler	Lieutenant Colonel	U.S. Army Reserves	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, bulk cash smuggling	n/a		
Debra M. Harrison	Lieutenant Colonel	U.S. Army Reserves	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, preparing false tax return	n/a		
William Driver	(Husband of Debra Harrison)		Money laundering	n/a		
Michael B. Morris	Businessman		Conspiracy, wire fraud	n/a		
<b>Led by Other Agencies</b>						
Jennifer Anjakos	Military Reservist	California Army National Guard/ 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$100 assessment; \$86,557 restitution	9/17/2007
Christopher Cahill	VP, Middle East & India	Eagle Global Logistics, Inc. (EGL)	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million)	8/30/2006
Lomeli Chavez	Enlisted, Grade 05, Military Reservist	California Army National Guard/ 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$100 assessment; \$28,107 restitution	9/17/2007
Derryl Hollier	Enlisted, Grade 05, Military Reservist	California Army National Guard/ 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$100 assessment; \$83,657.47 restitution	9/19/2007
Shabbir Khan	Director of Operations, Kuwait & Iraq	Tamimi Global Co., Ltd (subcontractor for KBR)	Bribery	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 in restitution; \$1,400 assessment	12/1/2006
Jesse D. Lane	Military Reservist	California Army National Guard/ 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months prison; \$323,228 restitution; 3 yrs supervised release	10/15/07
Luis Lopez	Enlisted, Grade 05, Military Reservist	California Army National Guard/ 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$100 assessment; \$66,865 restitution	9/17/2007
Anthony J. Martin	Subcontract Administrator	KBR	Violation of the Anti-Kickback Act	7/13/2007	Pending	Pending
Bonnie Murphy	Contracting Officer's Representative (COR)	DoD Defense Reutilization and Marketing Service (DRMS)	Accepting unlawful gratuities	11/7/2006	1 year supervised release; \$1,500 fine	March 2007
Gheevarghese Pappen	Army Corps of Engineers (Civilian Employee, GS-12)	U.S. Army/Area Support Group, Host Nation Office, Camp Arifjan, Kuwait	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; \$28,900 restitution; one year of supervised release	1/30/2007

## CONVICTIONS AND INDICTMENTS

NAME	POSITION	CONTRACTOR/COMPANY/ AGENCY	CHARGES	DATE OF CONVICTION	SENTENCE	DATE OF SENTENCE
CWO Peleti Peleti, Jr.	Army's Food Service Advisor for Kuwait, Iraq & Afghanistan	U.S. Army	Bribery and smuggling cash	2/9/2007	Pending	Pending
Glenn Powell	Subcontracts Manager	KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 in restitution; \$200 assessment	11/18/2005
Stephen Seamans	Subcontracts Manager	KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; \$380,130 in restitution; \$200 assessment	12/1/2006
Kevin A. Smoot	Managing Director	Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act, false statements	7/20/2007	Pending	Pending
John Allen Rivard	Major	U.S. Army Reserves	Bribery, conspiracy, money laundering	7/23/2007	120 months in prison; 3 years supervised release; \$5,000 fine; \$1 million preliminary order of forfeiture	Pending
Samir Mahmoud	Employee of U.S. Construction Company		False statement, violating the Anti-Kickback Act	11/3/2006	Pending	Pending
Maj. John Lee Cockerham	Contracting Officer	U.S. Army	Bribery, conspiracy, money laundering	n/a		
Melissa Cockerham	(Wife of John Cockerham)		Conspiracy, money laundering	n/a		
Carolyn Blake	(Sister of John Cockerham)		Conspiracy, money laundering	n/a		
CPT Austin Key	Contracting Officer	U.S. Army	Bribery	n/a		
Ali Hijazi	Kuwaiti Businessman		Major fraud against the United States and wire fraud			
Jeff Alex Mazon	Subcontractor Employee	KBR	Major fraud against the United States and wire fraud			
Zubair Khan	Contractor	Tamini Global Co. Ltd	Conspiracy to commit money laundering/witness tampering, obstruction of justice and making false statements	n/a		
Wallace Ward	Contractor	KBR - Afghanistan	Conspiracy to commit fraud, false claim			
James Sellman	Contractor	KBR - Afghanistan	Conspiracy to commit fraud, false claim			

TABLE 3-4



## SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the American taxpayer. Cases received by the SIGIR Hotline that are not related to the Iraq Relief and Reconstruction Fund (IRRF), to funds appropriated or otherwise made available for FY 2006 for the reconstruction of Iraq or to programs and operations of the former Coalition Provisional Authority (CPA) are transferred to the appropriate entity. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

### Third Quarter Reporting

As of September 30, 2007, the SIGIR Hotline had initiated 601 cases; 542 of those cases have been closed. To date, 59 cases remain open. For the status of SIGIR Hotline cases, see Table 3.5.

### New Cases

During this reporting period, the SIGIR Hotline received 12 new complaints for a cumulative total of 601 Hotline cases. The new complaints were classified in these categories:

- 7 involved contract fraud.
- 3 involved personnel issues.
- 2 involved miscellaneous issues.

### SUMMARY OF SIGIR HOTLINE CASES, AS OF SEPTEMBER 30, 2007

OPEN CASES				
Investigations				50
Audits				9
<b>Total Open</b>				<b>59</b>
CLOSED CASES	1ST QTR 2007	2ND QTR 2007	3RD QTR 2007	CUMULATIVE*
Freedom of Information Act	0	0	0	4
OSC Review	0	0	0	2
Assists	0	0	0	44
Dismissed	5	6	2	108
Referred	8	10	8	226
Inspections	0	0	0	79
Investigations	3	0	1	70
Audits	0	0	0	9
<b>Total Closed</b>	<b>16</b>	<b>16</b>	<b>11</b>	<b>542</b>
<b>Cumulative* Open &amp; Closed</b>				<b>601</b>

\*Cumulative totals cover the period since the SIGIR Hotline began operations—from March 24, 2004, to September 30, 2007.

TABLE 3.5

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal by electronic mail. The SIGIR's 12 new Hotline complaints were received by these means:

- 10 by electronic mail
- 2 by SIGIR Hotline phone call

### Closed Cases

During this quarter, 10 Hotline cases were closed:

- 8 were referred to other Inspector General agencies.
- 1 was closed by SIGIR Investigations.

- 1 was dismissed for lack of sufficient information.

### Referred Complaints

Following a thorough review, 8 complaints were referred to outside agencies for proper resolution:

- 1 was sent to the U.S. Army Inspector General.
- 1 was sent to the Joint Contracting Command-Iraq/Afghanistan.
- 1 was sent to the U.S. Agency for International Development.
- 5 were sent to the Multi-National Force-Iraq Inspector General.

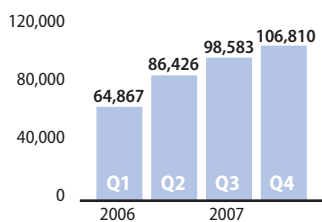
## SIGIR WEBSITE

During this reporting period, the SIGIR website ([www.sigir.mil](http://www.sigir.mil)) recorded these activities:

- The site had almost 107,000 visitors this quarter—just under 1,200 users per day. User access has increased 220% from a year ago.
- Most users were from within the United States (85%). The remaining 15% were from 163 different countries, mainly in Western Europe (4%), Asia (2%), and the Middle East (2%).
- The Arabic language section of the site received more than 1,047 visits, up 30% from last year.
- A significant percentage of visitors to the SIGIR website were from government agencies, most notably DoD, DoS, and the U.S. House of Representatives.
- Users visited the SIGIR Reports section most often.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- Website feeds were added this past reporting period to keep users informed of various reports as they are made public. They were among the top three pages visited.

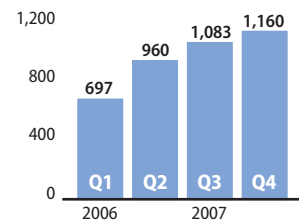
### TOTAL NUMBER OF VISITORS PER QUARTER

Source: Web Trends Analytics  
(10/1/2006 - 10/1/2007)



### AVERAGE NUMBER OF VISITORS PER DAY

Source: Web Trends Analytics  
(10/1/2006 - 10/1/2007)



## LEGISLATIVE UPDATE

During this quarter, the Congress had several matters relating to SIGIR's authorities under active consideration, and SIGIR officials provided information to the Congress on several occasions, including four formal appearances before congressional committees.

### Authority of SIGIR and Related Matters—Appropriations Measures

On September 6, 2007, the Senate passed an amendment to H.R. 2764, "making appropriations for the Department of State, foreign operations, and related programs for the fiscal year ending September 30, 2008, and for other purposes."

The amendment contains a provision, section 683, which further amends section 3001 of P.L. 108-106, as amended, to (1) provide that funds appropriated or otherwise made available for FY 2007 and FY 2008 for Iraq reconstruction be used when calculating when SIGIR will terminate, and (2) add a rule of construction that SIGIR shall have jurisdiction over any U.S. funds appropriated or otherwise made available for fiscal years 2006 through 2008 for the reconstruction of Iraq, without regard to the designation of such funds.

The Senate asked for a conference on this amendment and appointed conferees.

### Authority of SIGIR and Related Matters—Authorization Measures

On October 1, 2007, the Senate passed an amendment to H.R. 1585, "to authorize appropriations for fiscal year 2008 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe military personnel strengths for such fiscal year, and for other purposes." The House has not responded to this request. The Senate amendment to H.R. 1585 contains these provisions relating to SIGIR:

(1) A provision, section 1540, which (a) modifies existing law to provide that SIGIR will terminate 90 days after the [expended] balance of funds appropriated or otherwise made available for the reconstruction of Iraq is less than \$250,000,000; (b) establishes, through a rule of construction, that SIGIR shall have jurisdiction over funds appropriated or otherwise made available for fiscal years 2006 through 2008 for the reconstruction of Iraq, irrespective of the designation of such funds; and (c) permits SIGIR to use certain personnel authorities, specified within section 3161 of title 5, United States Code, during the life of SIGIR.

(2) A provision, section 1539, which (a) establishes a "Commission on Wartime Contracting," to be started within 90 days after the date of the enactment of the Act and to exist for approximately two years;

during which time SIGIR, notwithstanding section 3001 of Public Law 108-106, will continue to exist; and (b) provides that SIGIR shall “in collaboration with the Inspector General of the Department of Defense, the Inspector General of the Department of State, and the Inspector General of the United States Agency for International Development, conduct a series of audits to identify potential waste, fraud, abuse, or mismanagement in the performance of—

(A) Department of Defense contracts and subcontracts for the logistical support of coalition forces in Operation Iraqi Freedom and Operation Enduring Freedom; and

(B) Federal agency contracts and subcontracts for the performance of security and reconstruction functions in Operation Iraqi Freedom and Operation Enduring Freedom.”

(3) A provision, now part of section 1043, providing for a non-profit organization to conduct a study of the national security interagency system. As amended, the bill requires that the study address “the interagency coordination and integration of the United States Government for the planning and execution of overseas post-conflict contingency relief and reconstruction operations.”

(4) A provision, now part of section 861, relating to the definition of agencies, the disclosure to which of certain information by “whistleblowers” would be protected. The definition is intended to bring SIGIR within its mandate.

(5) A provision, section 1542, establishing a new agency to oversee U.S. government reconstruction activities in Afghanistan. The provision states that the new agency should operate in a manner similar to SIGIR. It also provides, but does not require, that the Special Inspector General for Iraq Reconstruction may be appointed to head the new agency.

The Senate asked for a conference on this amendment and appointed conferees.

## Congressional Appearances

Since the last SIGIR Quarterly Report, SIGIR officials appeared before congressional committees on four occasions:

1. July 31, 2007—House Committee on the Budget—Hearing on “The Costs of Military Operations and Reconstruction in Iraq and Afghanistan.” The Inspector General (IG) provided an overview of the \$44.5 billion in U.S. funds dedicated to relief and reconstruction programs in Iraq. In addition, the IG provided snapshots of recent audits and inspections that examined asset transfer, Provincial Reconstruction Teams, sustainment, and other issues. The Inspec-

tor General also provided an overview of SIGIR's first focused financial review—on the work of Bechtel National, Inc., under its Phase II IRRF contract.

2. September 5, 2007—House Committee on Armed Services, Subcommittee on Oversight and Investigations—Hearing on “The Role of the Department of Defense in Provincial Reconstruction Teams.” The Deputy Inspector General (Deputy IG) reported on the development and operation of the Provincial Reconstruction Team (PRT) program in Iraq. Drawing on the results of two audits completed in October 2006 and July 2007, the Deputy IG looked at key operational challenges facing PRTs, including staffing, civil-military integration, security, and coordination. She also discussed the progress of a civilian surge that aimed to double the number of staff at the 25 PRTs throughout Iraq, and she provided insight into future challenges facing the program.
3. October 4, 2007—House Committee on Oversight and Government Reform—Hearing on “Assessing the State of Iraqi Corruption.” The Inspector General provided testimony reviewing U.S. anticorruption assistance in Iraq and assessing the Government of Iraq's progress fighting corruption—the “second insurgency.”
4. October 18, 2007—House Committee on Armed Services, Subcommittee on Oversight and Investigations—Hearing on “Measuring and Increasing the Effectiveness of Provincial Reconstruction Teams.” The IG testified on SIGIR's third audit on PRTs, “Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq.”

# OTHER AGENCY OVERSIGHT

INTRODUCTION

OTHER AGENCY AUDITS

OTHER AGENCY INVESTIGATIONS

SECTION

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# 4





## INTRODUCTION

In March 2004, SIGIR formed the Iraq Inspectors General Council (IIGC)<sup>437</sup> to provide a forum for discussion of oversight in Iraq and to enhance collaboration and cooperation among the IGs of the agencies that oversee Iraq reconstruction funds. Representatives of member organizations meet quarterly to exchange details about current and planned audits, identify opportunities for collaboration, and minimize redundancies.

The most recent meeting was held on August 15, 2007, at the SIGIR office in Arlington, Virginia. These organizations attended the meeting:

- Department of Defense Office of Inspector General (DoD OIG)
- Department of State Office of Inspector General (DoS OIG)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development OIG (USAID OIG)

- Government Accountability Office (GAO)
- Defense Contract Audit Agency (DCAA)
- Defense Intelligence Agency Office of the Inspector General
- Special Inspector General for Iraq Reconstruction (SIGIR)

Each quarter, SIGIR requests updates from member organizations on their completed, ongoing, and planned oversight activities. This section summarizes the audits and investigations reported to SIGIR this quarter by DoD OIG, DoS OIG, USAID OIG, GAO, DCAA, and USAAA. For DCAA updates, see Appendix L. The U.S. Department of the Treasury and the Department of Commerce did not complete or initiate any new audits this quarter.

OTHER AGENCY AUDITS

This section updates the audits that IIGC member agencies reported to SIGIR:

- For recently completed oversight report activity, see Table 4.1.
- For ongoing oversight report activity of other U.S. agencies during this reporting period, see Table 4.2.

- For more information on other agency audits, including audit summaries, see Appendix L.
- For a complete historical list of audits and reviews on Iraq reconstruction by all entities, see Appendix M.

RECENTLY COMPLETED OVERSIGHT REPORTS OF OTHER U.S. AGENCIES, AS OF 9/30/2007

AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
DoD	D2007-D000LA-0199.000	8/14/2007	Research of the Controls over the Management of Contractors
DoS	AUD/CG-07-33	September 2007	Audit of the National Endowment for Democracy for Fiscal Years 2003-05
DoS	AUD/FM-07-41	July 2007	Independent Auditor's Report on the Application of Agreed-Upon Procedures Related to Selected DynCorp Invoices
GAO	GAO-07-836	7/11/2007	Unmanned Aircraft Systems: Advance Coordination and Increased Visibility Needed to Optimize Capabilities
GAO	GAO-07-839	7/31/2007	Defense Contract Management: DoD's Lack of Adherence to Key Contracting Principles on Iraq Oil Contract Put Government Interests at Risk
GAO	GAO-07-1195	9/4/2007	Securing, Stabilizing, and Rebuilding Iraq: Iraqi Government Has Not Met Most Legislative, Security, and Economic Benchmarks
GAO	GAO-07-1220T	9/4/2007	Securing, Stabilizing, and Rebuilding Iraq: Iraqi Government Has Not Met Most Legislative, Security, and Economic Benchmarks
GAO	GAO-07-1221T	9/5/2007	Securing, Stabilizing, and Rebuilding Iraq: Iraqi Government Has Not Met Most Legislative, Security, and Economic Benchmarks
GAO	GAO-07-1222T	9/5/2007	Securing, Stabilizing, and Rebuilding Iraq: Iraqi Government Has Not Met Most Legislative, Security, and Economic Benchmarks
GAO	GAO-07-1230T	9/7/2007	Securing, Stabilizing, and Rebuilding Iraq: Iraqi Government Has Not Met Most Legislative, Security, and Economic Benchmarks
GAO	GAO-07-814	9/19/2007	Defense Logistics: Army and Marine Corps Cannot Be Assured That Equipment Reset Strategies Will Sustain Equipment Availability While Meeting Ongoing Operational Requirements
GAO	GAO-08-117	10/1/2007	Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk
GAO	GAO-08-124T	10/4/2007	Stabilizing and Rebuilding Iraq: Serious Challenges Confront U.S. Efforts to Build the Capacity of Iraqi Ministries, by David M. Walker, Comptroller General of the United States, before the House Committee on Oversight and Government Reform
USAAA	A-2007-0149-ALL	7/23/2007	The Army's Theater Linguist Program in Afghanistan, Operation Enduring Freedom
USAAA	A-2007-0204-ALL	9/28/2007	Defense Base Act Insurance for the Logistics Civil Augmentation Program, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
USAID	E-267-07-006-P	7/11/2007	Audit of the Office of Foreign Disaster Assistance Program in Iraq
USAID	E-267-07-007-P	7/31/2007	Audit of USAID/Iraq's Local Governance Activities
USAID	E-267-07-008-P	9/26/2007	Audit of USAID/Iraq's Participation in Provincial Reconstruction Teams in Iraq

TABLE 4.1

## OTHER AGENCY OVERSIGHT

### ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 9/30/2007

AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT DESCRIPTION
DoD	D2007-D000FL-0252.000	8/31/2007	Internal Controls and Data Reliability in the Deployable Disbursing System
DoD	D2007-D000XA-0249.000	8/22/2007	Summary of Issues Impacting Operations Iraqi and Enduring Freedom Reported by Major Oversight Organizations Beginning FY 2003 through FY 2007
DoD	D2007-D000CK-0256.000	8/17/2007	Defense Hotline Allegations Concerning Contracts Issued by U.S. Army TACOM Life Cycle Management Command to BAE Systems Land and Armaments, Ground Systems Division
DoD	D2007-D000LA-0199.001	8/14/2007	Controls over the Contractor Common Access Card Life Cycle
DoD	D2007-D000IG-0239.000	7/27/2007	Accountability of Munitions Provided to the Security Forces of Iraq and Afghanistan
DoD	D2007-D000CK-0230.000	7/13/2007	Procurement and Delivery of Joint Service Armor Protected Vehicles
DoD	D2007-D000FB-0198.000	6/19/2007	Funds Appropriated for Afghanistan and Iraq Processed through the Foreign Military Trust Fund
DoD	D2007-D000CK-0201.000	6/18/2007	Operations and Maintenance Funds Used for Global War on Terror Military Construction Contracts
DoD	D2007-D000LD-0129.000	4/13/2007	Marine Corps' Management of the Recovery and Reset Programs
DoD	D2007-D000AS-0157.000	3/6/2007	Defense Hotline Allegations Concerning the Biometric Identification System for Access Omnibus Contract
DoD	D2007-D000FD-0145.000	3/5/2007	Internal Controls over Air Force General Funds Cash and Other Monetary Assets
DoD	D2007-D000FN-0142.000	2/27/2007	Internal Controls over Navy General Fund, Cash and Other Monetary Assets Held Outside the Continental United States
DoD	D2007-D000LQ-0141.000	2/15/2007	Management of the Iraq Security Forces Fund – Phase III
DoD	D2007-D000FP-0122.000	2/9/2007	Internal Controls over Army Cash and Other Monetary Assets Held Outside the Continental United States
DoD	D2007-D000LH-0108.000	1/5/2007	DoD Training for U.S. Ground Forces Supporting Operation Iraqi Freedom
DoD	D2007-D000LC-0051.000	12/14/2006	Hiring Practices Used To Staff the Iraqi Provisional Authorities
DoD	D2007-D000LF-0032.000	11/30/2006	Supplemental Funds Used for Medical Support for the Global War on Terror
DoD	D2007-D000LA-0054.000	11/9/2006	Procurement, Distribution, and Use of Body Armor in the Department of Defense
DoD	D2006-D000LQ-0254.000	9/5/2006	Potable and Nonpotable Water in Iraq
DoD	D2006-D000LH-0246.000	8/30/2006	Inspection Process of the Army Reset Program for Equipment for Units Returning from Operation Iraqi Freedom
DoD	D2006-D000AE-0241.000	8/4/2006	DoD Use of GWOT Supplemental Funding Provided for Procurement and Research, Development, Test and Evaluation
DoD	D2006-D000AE-0225.000	7/10/2006	Conditional Acceptance and Production of the Army Medium Tactical Vehicles in Support of the Global War on Terror
DoD	D2006-D000FL-0208.000	5/23/2006	Internal Controls over Out-of-Country Payments
DoD	D2006-D000LD-0062.000	12/15/2005	Supply Chain Management of Clothing, Individual Equipment, Tools, and Administrative Supplies
DoD	D2007-DINT01-0092.001	6/14/2007	Review of Intelligence Resources at Joint Intelligence Task Force Combating Terrorism (JITF-CT) and Special Operations Command (SOCOM) in Support of OEF and OIF
DoD	D2007-DINT01-0092.002	6/14/2007	Evaluation of Department of Defense Intelligence, Surveillance, and Reconnaissance (ISR) Activities in Support of U.S. Pacific Command for the Conduct of Operation Enduring Freedom—Philippines
DoD	D2006-DIP0E3-0038.001	4/19/2007	Assessment of DoD Support to Iraqi Security Forces (MOD and MOI) OIGs
DoD	D2006-DIP0E2-0137	7/24/2006	DoD/Department of Veterans Affairs (VA) Inspectors General Interagency Care Transition Project
DoD	D2007-D000CK-0144.000	2/16/2007	Audit Research on DoD Contracting Issues Related to the Global War on Terror

## OTHER AGENCY OVERSIGHT

AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT DESCRIPTION
DoD	D2006-DIP0E3-0038	7/15/2005	Advisory Support to Iraqi Ministry of Defence and Ministry of Interior Offices of the Inspectors General
DoD	D2006-DIP0E3-0256	8/23/2006	Interagency Iraqi Anti-corruption and Principled Governance Initiative
DoD	2007C003	6/13/2007	Evaluation of the Army Investigations into the Death and Injury of Reuters News Service Employees by U.S. Forces on August 28, 2005
DoD	D2007-DIP0E1-0210	5/24/2007	Review of Investigative Documentation Associated with the Fatality of a U.S. Army Corporal during Convoy Operations in Iraq
DoS	07AUD3034	April 2007	Review of Procurement Competition: New Embassy Compound Baghdad
GAO	350947	December 2006	FY 2007 GWOT Costs
GAO	351083	August 2007	Use of Private Security Contractors in Iraq
GAO	351016	March 2007	Joint IED Defeat Organization (JIEDDO) Processes to Coordinate Counter-Improvised Explosive Devices (IED) Intelligence Support
GAO	351017	March 2007	Joint IED Defeat Organization (JIEDDO) Organizational Management Support Capabilities
GAO	320484	May 2007	Budget Expenditures of Key Iraq Ministries
GAO	351054	July 2007	Commander's Emergency Response Program
GAO	351076	August 2007	Body Armor Programs and Testing
GAO	351092	August 2007	Planning for Iraq Drawdown
GAO	320461	October 2006	Efforts To Stabilize Iraq and Achieve Conditions To Allow the Drawdown of U.S. Troops
GAO	350948	December 2006	Factors Affecting U.S. Support for the Iraqi Security Forces
USAAA	A-2006-ALL-0264 and A-2007-ALL-0212)	10/23/2005 and 10/1/2006	Audit of Logistics Civil Augmentation Program
USAAA	A-2006-ALL-0397	6/26/2006	Retrograde Operations in Southwest Asia
USAAA	A-2007-ALL-0329	10/26/2006	Audit of U.S. Army Contracting Command Southwest Asia-Kuwait
USAAA	A-2007-ALL-0887.001	7/24/2007	Audit of Joint Contracting Command-Iraq
USAAA	A-2007-ALL-0887.003	8/5/2007	Audit of Joint Contracting Command-Afghanistan
USAAA	A-2007-ALL-0081	9/6/2007	Management of Shipping Containers in Southwest Asia
USAID	Not Reported	Not Reported	Audit of the Sustainability of USAID/Iraq's Electric Power Sector Activities
USAID	Not Reported	Not Reported	Audit of USAID/Iraq's Community Stabilization Program

TABLE 4.2

OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For statistics of investigative activities from other agencies, see Table 4.3

STATUS OF INVESTIGATIVE ACTIVITIES FROM OTHER U.S. AGENCIES, AS OF 9/30/2007

AGENCY	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ONGOING CASES
CID/MPFU	6	4	76
DCIS	2	2	90
DoS/OIG	0	0	4
FBI	2	1	55
USAID	2	0	8
Total	12	7	233

TABLE 4.3



## ENDNOTES

1. UN Security Council, "Report of the Secretary-General, S/2007/608," October 15, 2007.
2. MNC-I, response to SIGIR data call, October 17, 2007.
3. DoD, *Measuring Stability and Security in Iraq*, September 2007, p. 17.
4. UN Security Council, "Report of the Secretary-General, S/2007/608," October 15, 2007.
5. MNC-I, response to SIGIR data call, September 30, 2007.
6. MNC-I, *Money as a Weapon System*, June 1, 2007, p. C18.
7. MNC-I, response to SIGIR data call, October 17, 2007.
8. GRD, response to SIGIR data call, October 18, 2007.
9. MNC-I, response to SIGIR data call, October 17, 2007.
10. MNC-I, response to SIGIR data call, October 17, 2007.
11. UN Security Council Resolution 1483 created this fund to meet the costs of Iraqi civilian administration, humanitarian needs, infrastructure repairs, economic reconstruction, and other purposes benefiting the people of Iraq.
12. SIGIR analyzed the data for reasonableness and consistency across these sources. Except for the audit and inspection findings summarized in Section 3 of the Report, SIGIR did not review or audit the processes, controls, or systems in place at the providing agencies or organizations. SIGIR considers that the presentation of data throughout this Report is a reasonable compilation of the status of Iraq relief and reconstruction funding.
13. Since FY 2004, 16,000 CERP projects have been completed. A detailed reporting of CERP contracting actions is not available.
14. MNSTC-I spearheads the effort to support, train, and equip the Iraqi Security Forces (ISF). ISF includes the Iraqi military branches and the police.
15. U.S. Congress, "Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief (P.L. 109-13)," May 11, 2005.
16. For more information on FY 2006 funds designated for Iraq, see SIGIR-07-005, "Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and Reconstruction," July 27, 2007.
17. MNSTC-I, PowerPoint presentation to the SIGIR, "Requirements Validation and PR&C Process," August 24, 2007.
18. MNSTC-I, Section 3303 funding June 30, 2007 Report, received August 26, 2007.
19. MNSTC-I, response to SIGIR data call, October 9, 2007; CMATT, response to SIGIR data call, October 17, 2007.
20. MNSTC-I, memoranda to the Interior Minister, August 1, 2007; Defense Minister, July 31, 2007.
21. ISFF contract data in SIRIS is collected from USACE.
22. MNSTC-I, response to SIGIR data call, October 9, 2007.
23. GRD, response to SIGIR data call, October 4, 2007.
24. MNSTC-I, *Weekly Activity Report: MOD*, September 21, 2007, p. 14.
25. For an overview of the dynamic nature of the challenges and requirements of the ISF, see House Armed Services Subcommittee on Oversight and Investigations on Iraqi Security Forces, "Stand Up and be Counted: The Continuing Challenge of Building the Iraq Security Forces," July 2007.
26. SIGIR Audit 06-32, "Review of Plans to Implement Logistics Capabilities," October 28, 2006; GAO 07-612T, "Factors Impeding the Development of Capable Iraqi Security Forces," March 13, 2007; GAO 07-711, "DoD Cannot Ensure that U.S.-Funded Equipment has Reached Iraqi Security Forces," July 2007; U.S. House of Representatives, Committee on Armed Services Subcommittee on Oversight and Investigations, "The Continuing Challenge of Building the Iraq Security Forces," June 26, 2007; CSIS, "The Report of the Independent Commission on the Security Forces of Iraq," September 6, 2007.
27. DoD, *Measuring Stability and Security in Iraq*, September 14, 2007 p. 27.
28. INL, response to SIGIR data call, October 17, 2007.
29. MNSTC-I, response to SIGIR data call, October 9, 2007.
30. MNSTC-I, response to SIGIR data call, October 9, 2007.
31. MNSTC-I, response to SIGIR data call, October 9, 2007.
32. MNSTC-I, response to SIGIR data call, October 9, 2007.
33. DoS, *Iraq Weekly Status*, August 1, 2007, p. 6.
34. CSIS, "The Report of the Independent Commission on the Security Forces of Iraq," September 6, 2007, p. 114.
35. CSIS, "The Report of the Independent Commission on the Security Forces of Iraq," September 6, 2007, pp. 111-115.
36. MNSTC-I, response to SIGIR data call, October 9, 2007; CMATT, response to SIGIR data call, October 17, 2007.
37. CMATT, response to SIGIR data call, October 17, 2007.
38. CMATT, response to SIGIR data call, October 17, 2007.
39. DoD, *Measuring Stability and Security in Iraq*, September 2007, p. 42.
40. MNC-I, response to SIGIR data call, October 17, 2007.
41. IRMS, September 30, 2007.
42. MNC-I, response to SIGIR data call, October 17, 2007.
43. MNC-I, response to SIGIR data call, September 30, 2007.
44. MNC-I, *Money as a Weapon System*, June 1, 2007, p. C18.
45. MNC-I, response to SIGIR data call, October 17, 2007.

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46. DoD, *Measuring Stability and Security in Iraq*, September 2007, p. 17.
47. GRD, response to SIGIR data call, October 18, 2007.
48. MNC-I, response to SIGIR data call, October 17, 2007.
49. MNC-I, response to SIGIR data call, October 17, 2007.
50. MNC-I, response to SIGIR data call, August 27, 2007, p. 1.
51. MNC-I, response to SIGIR data call, August 27, 2007, p. 2.
52. MNC-I, response to SIGIR data call, August 27, 2007, p. 1.
53. OMB, response to SIGIR data call, September 26, 2007.
54. The Congress appropriated \$60.39 million to the ESF for Iraq (of which \$4.95 million was transferred to IRRF) in the FY 2006 budget. According to the DoS April *Section 2207 Report*, DoS obligated approximately \$56 million in ESF FY 2006 funds to the National Democratic Institute (NDI) and the International Republican Institute (IRI) for democracy-building activities. SIGIR's July 2007 Fact Sheet on FY 2006 Sources and Uses noted that the first disbursement of these funds for DoS's Democracy, Governance, and Rule-of-Law Program was on June 15, 2006. SIGIR does not have additional details about the project-level breakdown and expenditures of the FY 2006 DoS budget. Additionally, details regarding the contractual awards from the Regime Crimes Liaison Office, which received \$33 million in FY 2006 Supplemental funds, were not available to SIGIR at the time of publication. DoS entered into an interagency agreement (IAA) with the DoJ to execute this program. For purposes of this section, SIGIR reports IAA's "obligations" as funds committed. Thus this program's funding details were not included in the overall ESF funding totals.
55. This expended amount does not include the expended data for DoJ's Regime Crimes Liaison Office program (\$33 million allocation) and the DoS \$56 million allocation from FY 2006 base budget. These figures were not available to SIGIR at the time of publication.
56. USAID, "Economic Support Fund," [www.usaid.gov/policy/budget/cbj2007/an/esf.html](http://www.usaid.gov/policy/budget/cbj2007/an/esf.html), June 2, 2006.
57. The amounts that have been contractually obligated are the contractual awards as reported by the executing agencies of ESF funds.
58. ITAO, response to SIGIR data call, October 8, 2007.
59. GRD, response to SIGIR data call, October 11, 2007.
60. Details regarding the executing agencies of ESF FY 2003 funds were not available to SIGIR at the time of publication.
61. USAID Audit E-267-07-007-P, "Audit of USAID/Iraq's Local Governance Activities," July 31, 2007, p. 1.
62. USAID, response to SIGIR data call, October 1, 2007.
63. SIGIR Fact Sheet 07-005, "Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and Reconstruction," July 27, 2007, p. 14.
64. SIGIR Fact Sheet 07-005, "Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and Reconstruction," July 27, 2007, p. 42.
65. OMB, response to SIGIR data call, July 20, 2007.
66. OMB, response to SIGIR data call, July 20, 2007.
67. ITAO, response to SIGIR data call, October 15, 2007.
68. ITAO, response to SIGIR data call, October 15, 2007; IRMS, ESF Cost to Complete, October 9, 2007; USAID, *Activities Report*, October 15, 2007. The expended amounts are the amounts as reported in source data provided by the executing agencies.
69. Data regarding the appropriate track and program for ESF FY 2003 funds and approximately \$20 million in FY 2007 CR funds was not available. Thus, these funds are not included in the programmed percentages in the security track table.
70. ISFF funds a similar quick-impact program. In June 2004, the Iraqi Security Forces Quick Response Program (QRP) was created to give the multi-national security forces the ability to quickly respond to relatively small emerging and time-sensitive requirements of the Iraqi Security Forces. The program was initially funded from the IRRF. Although QRP funding provided under the IRRF has been spent, it has continued with the use of ISFF funds. The program's funding is known as the Quick Response Fund (QRF) I & II. This program is separate from the new ESF-funded QRF program supporting PRTs. Source: U.S. Army, "Quick Response Fund (QRF)," May 20, 2006, [www.jagcnet.army.mil](http://www.jagcnet.army.mil).
71. SIGIR Deputy Inspector General, "The Role of the Department of Defense in Provincial Reconstruction Teams," testimony before the House Committee on Armed Services, September 5, 2007, p. 9.
72. ITAO, response to SIGIR data call, October 12, 2007.
73. ITAO, response to SIGIR data call, October 12, 2007.
74. ITAO, response to SIGIR data call, October 12, 2007.
75. USAID, response to SIGIR data call, October 10, 2007.
76. DoS, *Weekly Status Report*, August 22, 2007, p. 19.
77. Data regarding the appropriate track and program for ESF FY 2003 and approximately \$20 million in FY 2007 CR funds was not available. Thus, these funds are not included in the programmed percentages in the economic track table.
78. USAID, response to SIGIR data call, October 1, 2007.
79. USAID, response to SIGIR data call, October 1, 2007.
80. GRD, response to SIGIR data call, October 18, 2007.
81. GRD, response to SIGIR data call, October 11, 2007.
82. GRD, response to SIGIR data call, October 18, 2007.
83. SIGIR, *Quarterly Report and Semiannual Report to the United States Congress*, July 30, 2007, pp. 7, 175-176.
84. Data regarding the appropriate track and program for ESF FY 2003 and approximately \$20 million in FY 2007 CR funds was not available. Thus, these funds are not included in the programmed percentages in the political track table.
85. SIGIR Audit Report 08-001, "Interim Report on Efforts and Further Actions Needed to Implement a Financial Management Information System in Iraq," October 23, 2007, p. 2.
86. SIGIR Audit Report 08-001, "Interim Report on Efforts and Further Actions Needed to Implement a Financial Management Information System in Iraq," October 23, 2007, pp. 2-3.



87. USAID, response to SIGIR data call, October 17, 2007.
88. DoS, *Section 2207 Report*, July 2007.
89. ITAO, Office of the CFO, response to SIGIR data call, October 19, 2007.
90. DoS, *Iraq Weekly Status*, September 26, 2007.
91. DoS, *Iraq Weekly Status*, September 26, 2007.
92. DoS, *Section 2207 Report*, July 2007.
93. ITAO, response to SIGIR data call, October 14, 2007.
94. ITAO, response to SIGIR data call, October 14, 2007.
95. SIGIR Audit 07-010, "Agency Management of the Closeout Process for IRRF Contracts," October 2007.
96. SIGIR Audit 08-003, "Review of the Use of Contractors in Managing IRRF Projects," October 2007.
97. ITAO, *IRRF Project Update*, September 25, 2007.
98. ITAO, *IRRF Project Update*, September 25, 2007.
99. SIGIR Inspection PA-07-101, "Qudas Power Plant Turbine Restoration, Baghdad, Iraq," October 2007; SIGIR Inspection PA 07-104, "Qudas Power Plant Expansion, Baghdad, Iraq," October 2007.
100. SIGIR Inspection PA-07-101, "Qudas Power Plant Turbine Restoration, Baghdad, Iraq," October 2007; SIGIR Inspection PA 07-104, "Qudas Power Plant Expansion, Baghdad, Iraq," October 2007.
101. ITAO, *Essential Indicators Report*, September 18, 2007, slide 3.
102. ITAO, *IRRF Project Update*, September 11, 2007, slide 9.
103. SIGIR, *Quarterly and Semiannual Report to the United States Congress*, July 2007, p. 90.
104. SIGIR, *Quarterly and Semiannual Report to the United States Congress*, July 2007, p. 90.
105. DoS, Bureau of International Narcotics and Law Enforcement Affairs, [www.state.gov/p/inl/](http://www.state.gov/p/inl/).
106. OSD, response to SIGIR data call, October 18, 2007.
107. MNSTC-I, response to SIGIR, October 9, 2007; Civilian Police Assistance Team (CPATT) briefing on role, September 26, 2007.
108. INL, response to SIGIR data call, October 18, 2007.
109. INL, Assistant Secretary of State, "Contracting for the Iraqi Security Forces," testimony before the House Committee on Armed Services, April 25, 2007; OSD, response to SIGIR data call, October 18, 2007.
110. INL, Assistant Secretary of State, "Contracting for the Iraqi Security Forces," testimony before the House Committee on Armed Services, April 25, 2007.
111. INL, response to SIGIR data call, October 17, 2007.
112. INL, response to SIGIR data call, October 17, 2007.
113. INL, response to SIGIR data call, October 18, 2007.
114. INL, response to SIGIR data call, October 17, 2007. IRRF funding has also been designated to construct or renovate prison facilities. There is currently \$33.2 million for the construction and renovation. The projects include Nassriya (Phases I and II) and Fort Suse.
115. GRD, response to SIGIR data call, October 9, 2007.
116. INL, response to SIGIR data call, October 17, 2007.
117. INL, response to SIGIR data call, October 18, 2007.
118. INL, response to SIGIR data call, October 1, 2007. There are approximately 1,050 judges, 150 public advocates, and an estimated 350 judicial investigators in Iraq. In September 2007, 170 new judges graduated from Iraq's Judicial Training Institute. The Higher Judicial Council plans to enroll approximately 250 more judges in 2008. The Council has also budgeted for more investigative judges and judicial investigators. Iraq's Higher Judicial Council has hired an additional 300 clerks, who will undergo training to become judicial investigators.
119. INL, response to SIGIR data call, October 1, 2007, and October 17, 2007.
120. SIGIR interview with an Iraqi judge, August 23, 2007.
121. Because of overcrowding in corrections facilities, judges must travel away from the courthouse to handle the numbers of detainee cases.
122. SIGIR interview with an Iraqi judge, August 23, 2007.
123. INL, response to SIGIR data call, October 1, 2007.
124. INL, response to SIGIR data call, October 1, 2007.
125. INL, response to SIGIR data call, October 17, 2007.
126. INL, response to SIGIR data call, October 1, 2007, and October 17, 2007.
127. INL, response to SIGIR data call, October 17, 2007.
128. INL, response to SIGIR data call, October 1, 2007.
129. INL, response to SIGIR data call, October 1, 2007, and October 17, 2007.
130. U.S. Embassy, "The 2007 Joint Rule of Law Conference Report," July 23, 2007, p. 5.
131. U.S. Embassy, "The 2007 Joint Rule of Law Conference Report," July 23, 2007, p. 4.
132. Rule of Law Community Coordination Forum, "Presentation on Criminal Processing of Iraqi Juvenile Detainees by Task Force 134/ MNF-I," August 28, 2007.
133. INL, response to SIGIR data call, October 1, 2007.
134. Office of the President, Higher Judicial Council to Iraq's Prime Minister, "Plan: Dealing with the Problems of the Detainees," September 20, 2007.
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137. Acting Rule of Coordinator, response to SIGIR data call, October 17, 2007.
138. DoS, Migration and Refugee Assistance webpage, October 10, 2007, [www.state.gov](http://www.state.gov).
139. Partners include the United Nations High Commissioner for Refugees (UNHCR) and the International Committee of the Red Cross.
140. U.S. Congress, "P.L. 110-28 Conference Report," April 24, 2007, p. 206.

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142. DoS, *Section 2207 Report*, July 2007.
143. GAO Report 04-668, "Military Operations: DOD's Fiscal Year 2003 Funding and Reported Obligations in Support of the Global War on Terrorism," May 13, 2004.
144. U.S. Congress, "P.L. 110-28 Conference Report," April 24, 2007, p. 132.
145. DoD, "MNC-I Commanding General Update: Task Force To Improve Business and Stability Operations in Iraq," October 8, 2007, slide 2.
146. SIGIR Audit 07-015, "Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq," October 18, 2007, p. i.
147. Center for Army Lessons Learned, "PRT Playbook," September 2007, p. 6.
148. SIGIR Inspector General, "The Effectiveness of Provincial Reconstruction Teams," testimony before the House Armed Services Subcommittee on Oversight and Investigations, October 18, 2007.
149. OPA, response to SIGIR data call, August 31, 2007.
150. NEA, response to SIGIR data call, October 4, 2007.
151. OPA, response to SIGIR data call, October 11, 2007.
152. USAID, response to SIGIR data call, October 10, 2007.
153. DoD, *Measuring Stability and Security in Iraq*, March 2, 2007, p. 24; September 14, 2007, p. 27.
154. All provinces were expected to achieve PIC status by the end of 2007, except Anbar—which was expected to achieve PIC status in early 2008. DoD, *Measuring Stability and Security in Iraq*, March 7, 2007, p. 24.
155. DoD, *Measuring Stability and Security in Iraq*, September 14, 2007, p. 27. Dahuk, Erbil, and Sulaymaniyah provinces in northern Iraq were transferred to the Kurdistan Regional Government (KRG) on May 30, 2007 under a PIC-like process termed "Regional Iraqi Control." (DoD vetting comments, July 22, 2007).
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157. DoD, *Measuring Stability and Security in Iraq*, September 14, 2007, p. 27.
158. DoD, *Measuring Stability and Security in Iraq*, September 14, 2007, p. 28.
159. DoD, *Measuring Stability and Security in Iraq*, September 14, 2007, p. 28.
160. According to USAID, USAID Audit E-267-07-008-P, "Audit of USAID/Iraq's Participation in Provincial Reconstruction Teams in Iraq," was conducted during a time of significant flux as both the function and number of PRTs (from 10 to 25) in Iraq changed dramatically just prior and during the audit evaluation period. As part of and in response to these changes, USAID only designated the PRT representatives as Activity Managers in December 2006—representing a fundamental shift in how USAID delivered its assistance in Iraq by channeling programming through the PRT platform. Furthermore, the State-DoD MoA was only signed in February 2007. USAID has worked to review/modify its efforts throughout the growing PRT effort in Iraq; a fact noted in the audit. USAID response to SIGIR data call, October 17, 2007.
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162. SIGIR Deputy Inspector General, "The Role of the Department of Defense Provincial Reconstruction Teams," testimony before the House Committee on Armed Services, September 5, 2007, pp. 4-7.
163. SIGIR Audit 07-015, "Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq," October 18, 2007, pp. 32.
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166. The White House, "Initial Benchmark Assessment Report," July 12, 2007, p. 9.
167. The White House, "Initial Benchmark Assessment Report," July 12, 2007, p. 9.
168. The White House, "Benchmark Assessment Report," September 14, 2007, p. 7.
169. UN Security Council, "Report of the Secretary-General pursuant to paragraph 6 of resolution 1770 (2007)," October 15, 2007, p. 3.
170. The White House, "Initial Benchmark Assessment Report," July 12, 2007, p. 9.
171. The White House, "Benchmark Assessment Report," September 14, 2007, p. 7.
172. The White House, "Initial Benchmark Assessment Report," July 12, 2007, p. 10.
173. UN Security Council, "Report of the Secretary-General pursuant to paragraph 6 of resolution 1770 (2007)," October 15, 2007, p. 3.
174. USAID, response to SIGIR data call, October 1, 2007.
175. ITAO, response to SIGIR data call, October 1, 2007.
176. GAO 07-1195, "Iraqi Government Has Not Met Most Legislative, Security, and Economic Benchmarks," September 2007.
177. ITAO, response to SIGIR data call, October 8, 2007.
178. GAO 07-1195, "Iraqi Government Has Not Met Most Legislative, Security, and Economic Benchmarks," September 2007, pp. 31-32.
179. ITAO, response to SIGIR data call, October 8, 2007.
180. DoD, *Measuring Stability and Security in Iraq*, September 2007, p. 3.
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183. USAID, response to SIGIR data call, October 1, 2007.
184. USAID, response to SIGIR data call, October 1, 2007.
185. IMF, "IMF Executive Board Concludes 2006 Article IV Consultation with Iraq," August 14, 2007, [www.imf.org](http://www.imf.org).
186. DoS, *Weekly Status Report*, September 12, 2007, p. 4. The U.S. CETI is citing an IMF estimate of 2007 growth rates for Iraq's economy (DoS response to SIGIR data call, October 22, 2007).
187. DoD, "News Transcript: DoD News Briefing with Secretary Gordon England, Paul Brinkley, and Minister Fawzi Hariri at the Pentagon," September 4, 2007, [www.defenselink.mil](http://www.defenselink.mil).
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435. ITAO is the successor organization to the Iraq Reconstruction Management Office. The purpose of ITAO is to perform the specific project of supporting executive departments and agencies in concluding remaining large infrastructure projects expeditiously in Iraq, to facilitate Iraq's transition to self-sufficiency, and to maintain an effective diplomatic presence in Iraq. For this report, SIGIR dealt with the Water Sector representatives of ITAO.
436. Included in the "Baghdad Ring" are the Qudas, Taji, Baghdad South, Doura, and Musayib power plants.

## ENDNOTES

437. IIGC members: SIGIR (Chair), DoS OIG (Co-Vice Chair), DoD IG (Co-Vice Chair), Army IG, USAID IG, Treasury IG, DoC IG, DCAA, USAAA, GAO (observer member), and USACE Chief Audit Executive (observer member).



The complete version of this SIGIR Quarterly Report is available on the SIGIR website: [www.sigir.mil](http://www.sigir.mil). It is the official version of the report, containing all appendices and corrections.

## APPENDIX NAME

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# LIST OF APPENDICES

## ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in the SIGIR Quarterly Report to the Congress.

ACRONYMS	DEFINITIONS
ABO	Army Budget Office
ABOT	Al Basrah Oil Terminal
ADASA-P&P I/A	Assistant Deputy Assistant Secretary of the Army for Policy and Procurement-Iraq/Afghanistan
AFCEE	Air Force Center for Engineering and the Environment
Army	U.S. Department of the Army
BBA	Bilingual Bicultural Advisor
BCT	Brigade Combat Team
BIA	Basrah International Airport
BIAP	Baghdad International Airport
BPD	Barrels Per Day
BSA	Board of Supreme Audit
CAC	Common Access Card
CBI	Central Bank of Iraq
CEFMS	Corps of Engineers Financial Management System
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program
CID	U.S. Army Criminal Investigation Command
CID-MPFU	U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit
CMATT	Coalition Military Assistance Transition Team
COIN	Counterinsurgency
COM	Chief of Mission
Compact	International Compact with Iraq
CoR	Council of Representatives
COTR	Contracting Officer's Technical Representative
CPA	Coalition Provisional Authority
CPA-IG	Coalition Provisional Authority Inspector General
CPATT	Civilian Police Assistance Training Team
CPI	Commission on Public Integrity

## ACRONYMS & DEFINITIONS

ACRONYMS	DEFINITIONS
CR	Continuing Resolution
CRC	Constitutional Review Committee
CTO	Cognizant Technical Officer
DAD	Development Assistance Database
DBE	Directorate of Border Enforcement
DCAA	Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DCMA	Defense Contract Management Agency
DDR	Disarmament, Demobilization, and Reintegration
DFI	Development Fund for Iraq
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
DoJ	Department of Justice
DoS	Department of State
DoS OIG	Department of State Office of Inspector General
DSCA	Defense Security Cooperation Agency
DynCorp	DynCorp International LLC
EFT	Electronic Funds Transfer
EG	Economic Governance (USAID)
ePRT	Embedded Provincial Reconstruction Team
ESF	Economic Support Fund
FAD	Funding Authorization Document
FAR	Federal Acquisition Regulation
FBI	Federal Bureau of Investigation
FMIS	Financial Management Information System
FMS	Foreign Military Sales
FOB	Forward Operating Base
FY	Fiscal Year
GAO	Government Accountability Office
GCPI	General Company for Ports of Iraq
GDP	Gross Domestic Product
GE	General Electric
GOI	Government of Iraq
GRC	Gulf Region Central
GRD	Gulf Region Division
GRN	Gulf Region North
GWOT	Global War on Terror
HRDN	Human Rights Defenders Network

ACRONYMS	DEFINITIONS
IAA	Interagency Agreement
IAER	Iraq Agriculture Extension Revitalization
IAF	Iraqi Air Force
ICCTF	International Contract Corruption Task Force
ICE	Immigration and Customs Enforcement
ICITAP	International Criminal Investigative Training Assistance Program
IDA	International Development Association (World Bank)
IDP	Internally Displaced Person
IED	Improvised Explosive Device
IFES	formerly known as "International Foundation for Election Systems"
IFF	Iraq Freedom Fund
IFMIS	Iraq Financial Management Information System
IG	Inspector General
IHEC	Iraq High Electoral Commission
IIGC	Iraq Inspectors General Council
IJIP	Iraq Justice Integration Project
IMF	International Monetary Fund
INL	Bureau of International Narcotics and Law Enforcement Affairs (DoS)
IOM	International Organization for Migration
IPS	Iraqi Police Service
IRFFI	International Reconstruction Fund Facility for Iraq
IRMO	Iraq Reconstruction Management Office
IRMS	Iraq Reconstruction Management System
IRR	Iraq Republic Railway
IRRF	Iraq Relief and Reconstruction Fund
IRRF 1	Iraq Relief and Reconstruction Fund 1
IRRF 2	Iraq Relief and Reconstruction Fund 2
IRS-CID	Internal Revenue Service, Criminal Investigation Division
ISF	Iraqi Security Forces
ISFF	Iraq Security Forces Fund
ISX	Iraq Stock Exchange
ITAO	Iraq Transition Assistance Office
ITF	Iraq Trust Fund
ITPC	Iraq Telecommunications and Postal Commission
IWC	International Working Committee
JASG-C	Joint Area Support Group-Central
JCC-I/A	Joint Contracting Command-Iraq/Afghanistan
JMM	Joint Monitoring Matrix

## ACRONYMS & DEFINITIONS

ACRONYMS	DEFINITIONS
JPS	Judicial Protection Service
KBR	Kellogg Brown and Root Services, Inc.
km	Kilometer
KRG	Kurdistan Regional Government
kV	Kilovolt
LGP	Local Governance Program
LOGCAP	Logistics Civil Augmentation Program
LPG	Liquefied Petroleum Gas
m <sup>3</sup> /day	Cubic Meters per Day
m <sup>3</sup> /hour	Cubic Meters per Hour
MAAWS	Money as a Weapon System
MBPD	Million Barrels Per Day
MNC-I	Multi-National Corps-Iraq
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
MOD	Ministry of Defense
MOI	Ministry of Interior
MOSQ	Military Occupational Specialty Qualification
MOU	Memorandum of Understanding
MRAP	Mine Resistant Ambush Protected
MSC	Major Subordinate Command
MSCFD	Million Standard Cubic Feet Per Day
MW	Megawatt
MWh	Megawatt-hour
NAVAIDS	Navigational Aids
NCCMD	National Center for Consultancy and Management Development
NCD	National Capacity Development Program
NEA	Bureau of Near Eastern Affairs (DoS)
NET	National Embassy Team
NGA	National Geospatial-Intelligence Agency
NGIC	National Ground Intelligence Center
NGO	Nongovernmental Organization
NP	National Police
NPFTF	National Procurement Fraud Task Force
O&M	Operations and Maintenance
OA	Obligation Authority
OAT	Office of Accountability and Transparency
OFDA	Office of U.S. Foreign Disaster Assistance (USAID)

ACRONYMS	DEFINITIONS
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPA	Office of Provincial Affairs
P.L.	Public Law
PAC	Procurement Assistance Center (Iraqi)
PAP	Procurement Assistance Program
PCO	Project and Contracting Office
PEG	Provincial Economic Growth
PHC	Primary Healthcare Center
PIC	Provincial Iraqi Control
PMA	Public Management Advisors
PMO	Program Management Office
PMU	Public Management Unit
PPAT	Provincial Procurement Assistance Team
PRDC	Provincial Reconstruction Development Committee
PRT	Provincial Reconstruction Team
PST	Provincial Support Team
QA	Quality Assurance
QC	Quality Control
QM	Quality Management
QRF	Quick Response Fund
RAD	Resource Allocation Document
RCC	Regional Contract Command (DoD)
RFP	Request for Proposal
RLT	Reconstruction Liaison Team
RO-RO	Roll-On, Roll-Off
RTI	Research Triangle Institute
SBA	Stand-By Arrangement (IMF)
SCADA	Supervisory Control and Data Acquisition
SDR	Special Drawing Rights
SIGIR	Special Inspector General for Iraq Reconstruction
SIRIS	SIGIR Iraq Reconstruction Information System
SME	Subject Matter Expert
SOE	State-owned Enterprise
SPMO	Sector Program Management Office
SPMOC	Sector Program Management Office Contractor
SPCO	Sector Project and Contracting Office
SPCOC	Sector Project and Contracting Office Contractor

## ACRONYMS & DEFINITIONS

ACRONYMS	DEFINITIONS
TF-BSO	Task Force To Improve Business and Stability Operations
TPD	Tons Per Day
TPU	Tax Policy Unit
Treasury	U.S. Department of Treasury
UK	United Kingdom
UN	United Nations
UNAMI	UN Assistance Mission for Iraq
UNDG	United Nations Development Group
UNDG ITF	United Nations Development Group Iraq Trust Fund
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USAID OIG	U.S. Agency for International Development Office of Inspector General
USDA	U.S. Department of Agriculture
USIP	U.S. Institute of Peace
WFP	World Food Programme
WHO	World Health Organization
World Bank ITF	World Bank Iraq Trust Fund
WTO	World Trade Organization